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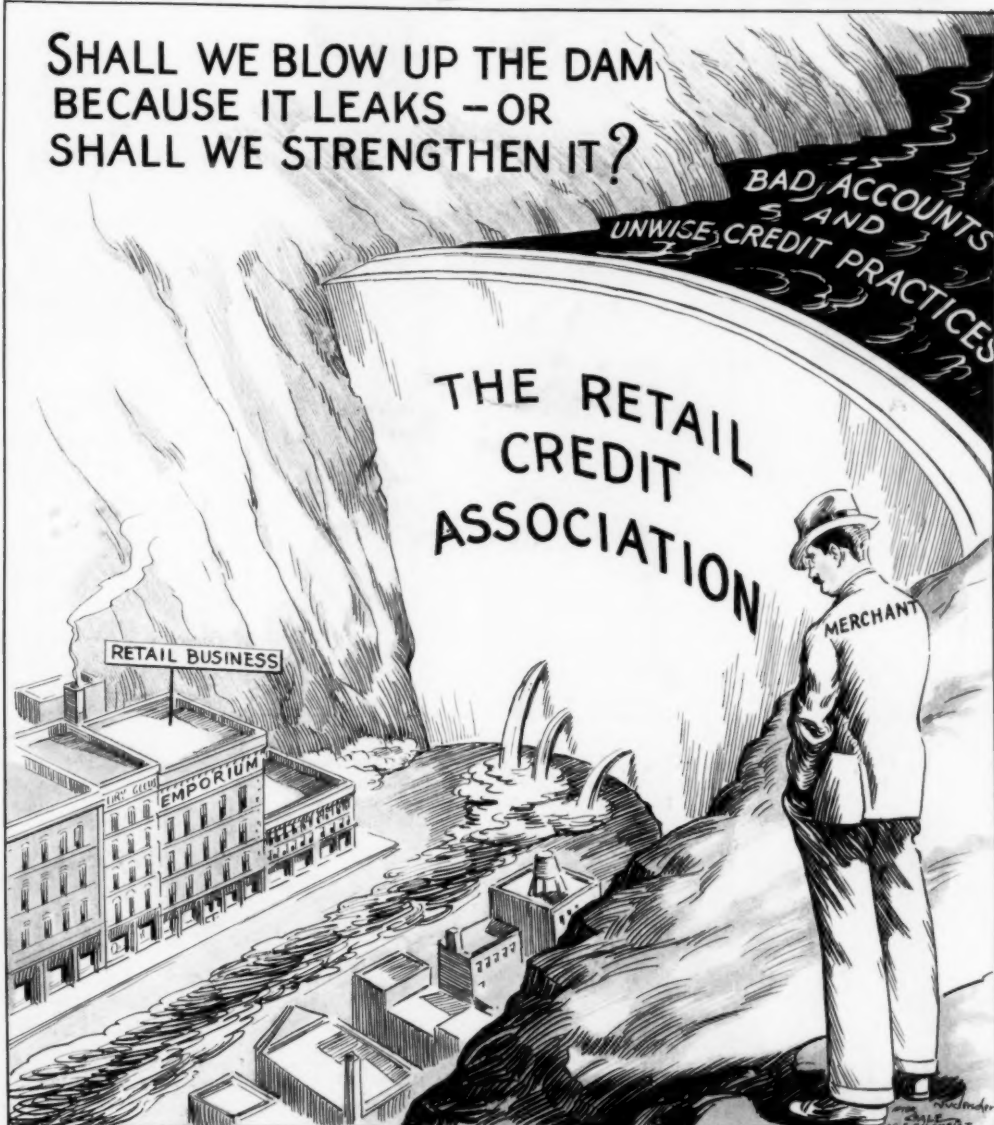
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The

CREDIT WORLD

AUGUST, 1933
Vol. XXI No. 11

SHALL WE BLOW UP THE DAM
BECAUSE IT LEAKS - OR
SHALL WE STRENGTHEN IT?



—Adapted—with permission—from a cartoon by Gale of the "Los Angeles Times."

MAGAZINE • OF •



RETAIL • CREDIT

"Protection for the Small Store--Too!"

(National Association Membership Emblems)

"The grocery store, like all small stores, is on the fringe of business, the easy prey of bad check passers, poor credit risks, all those who are 'trying to get by.' Credit membership signs, we believe, offer protection for the small store, just as much as for the larger

one. People come in, see the signs, so are prepared to find here the same credit scrutiny they would in any of the downtown department stores."

—JOHN HOEL, *DeMun Market, St. Louis, Mo.* (See article in this issue.)

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NATIONAL RETAIL CREDIT ASSOCIATION

1218 OLIVE STREET

ST. LOUIS, MO.

The CREDIT WORLD

Official Magazine of the NATIONAL RETAIL CREDIT ASSOCIATION

August, 1933

Vol. XXI

No. 11

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This publication carries authoritative notices and articles in regard to the activities of the National Retail Credit Association.



In all other respects the Association cannot be responsible for the contents thereof or for the statements or opinions of writers.

AUGUST, 1933

ANNOUNCING A New Book

"Proven Plans to Speed Collections and Timely Tips to Trim Office Overhead"

Copyright, 1933

THIS book is from the pen of a man who has spent over twenty years in the study and practice of the art of collecting money and retaining the good will and patronage of those from whom he collected.

In this book will be found:

- 288 successful collection ideas, plans and letters.
- 470 collection paragraphs in a unique letter book arranged according to appeals to different emotions, classified and numbered for convenient use, including—
- 204 effective ways to close your collection letter for action.
- 147 attention-getting opening paragraphs for collection letters.
- 119 miscellaneous collection paragraphs classified according to appeals to pride, fear, sense of fairness, etc.
- 51 tracing tricks and schemes to locate the debtor who moves.
- 42 time and labor saving office short cuts and postage saving ideas.
- 25 specific ways to cut bad check losses and points to watch in cashing checks.
- 10 ways to use the telephone to improve collections.
- 4 ways to locate debtor's place of employment.
- The most successful plan of a Texas collection expert in collecting from farmers.
- How to get your money on defective remittances and bad checks.
- How a Dallas collection expert collected a six-year-old judgment in Texas where wages cannot be garnished, from a debtor with no property, who carried his bank account in another city under his wife's name.
- A plan used by one merchant to educate his customers to pay by the 10th.
- A letter that asked only for a date but brought back checks in all but one case.
- A scheme that collected 50 per cent of a big list of small publisher's accounts and made the debtor smile as he paid.
- A clever stunt in following up broken promises that brought in 80 per cent returns within five days.
- A plan that speeded up collections 75 per cent on accounts under \$10.00.
- A plan that enabled a dentist to collect 98 per cent of his accounts over a period of ten years.
- A simple plan that enabled a wholesale credit man to reduce his bad debt losses to less than 1/15 of 1 per cent over a period of seven years.

This is really more than a book. It is a working kit for the credit man, the merchant, the professional man or anyone who has anything to do with collections.

You also get a letter and paragraph book with definite and specific instructions on how to use it as well as a generous supply of blank pages to enable you to add your collection letters and paragraphs and tie this right in with your own business.

Handsomely bound in serviceable black, imitation leather (loose leaf), size 9 x 11 inches, it is a most unique portfolio—a veritable treasure book of **PROVEN PLANS TO SPEED COLLECTIONS AND TIMELY TIPS TO TRIM OFFICE OVERHEAD.**

The price originally set for this was \$15.00 but to make it available to a larger number, it may now be purchased for the unbelievably low price of

\$5.00

ARTHUR P. LOVETT

4455 PENN STREET

KANSAS CITY, MO.

EDITORIAL COMMENT

D. J. WOODLOCK

Shall We Blow Up the Dam?

THE cartoon on the front cover of this issue tells a story which interests every credit executive and retail store owner—every person interested in the protection and perfection of retail credit.

The National Retail Credit Association for twenty years has been building a great dam for the control of credit. Its preachments of sound credit practices—its education of credit managers in the best methods of credit control—its education of the public in the necessity of prompt payments—and its development of a chain of 1,240 credit reporting bureaus (with the credit records of sixty million individuals)—like the dam in the river, hold back the stream of unwise credit extension, bad accounts and credit losses, enabling the retailer to do a safe and profitable credit business.

Like all structures of human origin, it is not perfect. There are a few leaks: instances of below-par reporting service, lack of merchant or credit manager cooperation, competition on terms, lax collection methods, are frequently found where we expect them least. But as a whole it is the most efficient credit control system yet devised and when the test came during these years of depression, it saved the retailer from disaster.

Now is the time to strengthen our structure to stop the leaks, so that all may feel certain of protection from any flood of unusual credit extension or abuse.

The safeguarding of thirty billions of dollars of consumer credit requires a super-organization, which can only be builded and maintained by the whole-hearted support of every retailer. Indifference, lack of unity of purpose, false economy and failure to cooperate, make the leaks which, if not checked, can do much harm.

The basic structure is sound—it would be folly to blow up the dam because of a few leaks for which individuals are responsible. It is also folly to stand idly by and watch these leaks increase. The thing to do is to throw our whole energy into strengthening the dam. As the dam in this case is the credit organization, it will be only as strong as its individual members make it.

With the anticipation of the benefits of business codes fresh in our minds, the National Retail Credit Association calls upon every retailer to become a member.

Affiliate with the Local Association, if there is one in your community—if not, organize one—use reputable and dependable credit reporting agencies for securing credit information and thus stop the leaks.

Do your share toward building and maintaining this most essential necessity to our nation's business. The membership cost of but \$5.00 per year is certainly a small investment for the maintenance of a national organization which has been and is doing so much for the retailer.

« « «

New Charge Accounts

THE Government has set in motion a nationwide movement to increase buying power, which is the motivating force of retail trade. This confirms our oft-repeated statement that the retailer is the sales manager of the nation's business and only in proportion to his ability to pass on to the consumer the products of our mills and factories will the nation be prosperous.

During the years of our prosperity, liberal credit played an important part in increasing retail sales volume, as a result of which there was an increased demand for manufactured products. That the liberal policy of retailers was not unwise is evident from statistics indicating consumer credit suffered less than any other form of credit during the depression period.

Retail credit managers find themselves face to face with a new deal. Increased employment, increased wages, the release of money tied up in defunct banks and *restored confidence*, will create a purchasing power which should be capitalized on. We can again consider soliciting new charge accounts.

We will again be pleased to take applications. But—*we must remember conditions have changed*. The financial resources of every individual, from the millionaire to the most humble citizen, have a new alignment. Yesterday means nothing, except as a lesson for future generations.

Today's record is what counts, and that means the credit manager who will take advantage of this uptrend is the one who will go after all the business there is in sight, but make sure it is good business by tying more closely than ever to the National Retail Credit Association, the local

credit association and the credit bureau in his community.

Overanxiety to open new charge accounts or the solicitation of new customers without a careful check as to their present-day responsibilities, would be a ruinous policy.

Business is pioneering into new trends. Credit will be sought more than ever before and we want this business, providing it is sound and profitable. The records of the past illuminate the way for successfully handling the problems of today by the fact that the most successful retailers in good times and bad are those who live up to the ethics of the National Retail Credit Association, are members of the local as well as the national association, and use their local credit bureaus for reporting service.

» » »

N. R. C. A. Code Committee Reports

THE Code Committee of the National Retail Credit Association met in New York on August 8, and prepared a statement on "Practices Incident to Retail Credit Extension." The Committee refrained from presenting its views in the nature of definite recommendations, feeling a simple statement of the viewpoint of the credit managers should be submitted to store owners and representative retail trade associations for final decision as to incorporating same in the Code for the Retail Trades. The Committee's statement follows:

As it is essential to the success of the N. R. A. program that there be an increase in consumer sales, a substantial proportion of which will be on a retail credit basis, it is regarded as an important economic factor that not only should the merchant be assured of a proper return on such sales, but that the interests of the consumer should be safeguarded. It is, therefore, regarded as highly desirable:

1. That merchants avoid practices which may result in the consumer becoming involved beyond his ability to pay, thereby impairing his future purchasing power.
2. That merchants take such reasonable measures as may be necessary, according to local conditions, to insure the prompt payment of debts in accordance with contracts, so as to secure the necessary turnover of capital.
3. That merchants make an adequate charge covering the financing function incident to deferred payment sales and at the time of sale to state the amount of such charge as distinct from the price of the merchandise.
4. That merchants require those whose accounts are overdue beyond a stated period, as determined by local community credit policies, to pay an interest charge on such overdue balances; such stated period might properly be regarded as either 80 or 90 days.
5. That merchants, in order to insure safety in retail credit granting, properly investigate all seekers for credit before extending such accommodations, by making use of reputable retail credit bureaus or mercantile agencies which specialize in such information and to whom a debtor or merchant may apply for, and

furnish to, pertinent information for the protection of both debtor and merchant.

(Signed) **J. W. MEHLING**, CHAIRMAN,
Retail Merchants Ass'n, Baltimore.
LOUIS T. McMAHON,
Wm. Filene Sons Co., Boston.
ELLIS A. EPSTEIN,
Hochschild, Kohn & Co., Baltimore.
FRANKLIN BLACKSTONE,
Frank & Seder, Pittsburgh.
A. B. BUCKERIDGE,
The Credit Bureau of Greater New York.

The following representative Credit Managers of New York sat in with the above Committee: Walter E. Baab, Franklin Simon & Co.; W. J. Morgan, Brooks Brothers; M. C. Harris, John Wanamaker, Inc.; H. E. Armstrong, James McCreery & Co.; Walter Strickland, Best & Co.

Copies of the statement were sent to the following trade associations: National Retail Furniture Association, National Retail Hardware Association, Mail Order Association of America, National Association of Retail Clothiers and Furnishers, National Retail Dry Goods Association and the National Shoe Retailers' Association.

» » »

Increasing Buying Power

FROM all sections of the country comes news of increased employment and wages. This means increased buying power. During the past sixty days, more workers have been added to pay rolls than during any similar period for the past three years!

Now is the time for intelligent, aggressive retailing—on a profitable basis. It's time to forget the asinine idea of keeping up volume by price slashing and cut-throat sales competition. If the new National Recovery Act does nothing more than stop this type of unwise retailing it will have justified the time and effort put into it.

BELEIVING every citizen should cooperate with President Roosevelt, the National Crime Prevention Bureau and the Department of Justice, in their drive to stamp out racketeering, kidnaping and crime of all kinds, the NATIONAL RETAIL CREDIT ASSOCIATION has volunteered to make available to qualified agents of the Government, the sixty million records in the files of its Credit Bureaus throughout the United States.



Milwaukee's New "Pooled Accounts" Plan

By AUG. C. WEHL

Credit Manager, Gimbel Brothers, Milwaukee, Wis.
Director, National Retail Credit Association

AS CREDIT MEN we have a duty to perform which is important in more ways than one. You and I have on our books accounts, "some are 'P. & L.' and some are not," that formerly were very good customers who month after month, and year after year gave us their business and paid promptly, but are now unemployed and have been for a long time.

We have carried them along, finally charged off many of them and as credit risks they are out of the picture at this time and will be for all time unless we do something about it. I believe a great percentage of these accounts can be collected, the debtors saved from bankruptcy and made self-respecting and responsible citizens, whom you and I will be glad to welcome back as charge customers, and I believe the time to do something about it is now.

About a year ago an article in *The CREDIT WORLD* on "Pooling Accounts" interested me and later another article in the *Service Bulletin*. So, I gathered up all the material, in addition secured different forms from the National office and waited for conditions to improve.

With the "New Deal," etc., this question was submitted to the Associated Retail Credit Men of Milwaukee for discussion with the result that a committee was appointed, myself as Chairman. I conferred with the Judges of our Civil Courts, with the Superintendent of the County Outdoor Relief Department and with other men prominent in public affairs and the reaction was so wonderful that I was convinced more than ever that the idea was sound.

Extracts from letters from some of these public leaders follow:

Judge Edmund Gausewitz: Such a plan would be especially beneficial with creditors and debtor agreeing to it. During the depression many who theretofore never failed to meet obligations became indebted to various persons. They could not help themselves and, also, they were "judgment proof." But as conditions improve the debtor's plight may be at its worst.

He obtains a job and sufficient pay so that he plans to pay a little each month to each creditor. If not molested he can and will do so but, if a creditor immediately jumps in, especially with garnishments, with the added costs, the debtor's plans are upset, his new optimism destroyed, and all creditors will lose, not only as to present debts but as to future purchases.

Judge A. J. Hedding: I am heartily in accord with your plan. If there is anything I can do in the matter to further this plan kindly let me know.

Benjamin Glassberg, superintendent, Department of Outdoor Relief: Your plan of having debtors pool their accounts is no doubt a constructive method of preserving credit integrity. It would be the most feasible way for many persons to relieve the terrible pressure of obligations owing.

H. R. Pestalozzi, attendance department, Milwaukee Vocational School Division: The idea is sound and has my heartiest endorsement.

R. L. Cooley, director, Milwaukee Vocational School: Your proposition to pool accounts and pay over a period of time through pro-rating arrangements looks good to me. It would be fair to the creditors because certain pressing creditors would not be paid in full while others waited.

In due time plans were submitted to the Advisory Committee of the Credit Bureau. The plan was unanimously approved, and it was then referred to the Milwaukee Association of Commerce and they endorsed it whole-heartedly as being in keeping with the times, constructive, good business and doing a social service. They were sold on the idea and arrangements have been made to put it into effect by that organization.

The local newspapers have given the matter considerable publicity and commented very favorably in their editorial columns. Our plan, as you will see from the newspaper clippings and articles reproduced in this and the accompanying article, has been explained fully in their columns with the exception that they do not mention the charges. We propose to charge the debtors only a \$3.00 service fee, the creditor 15 per cent. This of course will be subject to revision if we find that it is too much or insufficient to cover operating costs.

I believe that we will not only be able to collect a great many accounts which would otherwise be lost to us, but we will be bringing back as charge customers hundreds of men and women who might otherwise become bankrupts. Under this plan a great amount of litigation will be saved.

People will be treated like human beings and it will create an entirely different feeling from that at present existing between these debtors and creditors.

"Pooled Accounts" Plan Aids Debtors and Creditors

A Reprint of an Article in the Milwaukee Journal (Sunday, June 25, 1933)
in which the "Wehl-Milwaukee" Plan was Explained to the Public

BILLS! Bills! Bills! The answer for the family whose breadwinner is earning money again after months of idleness or part-time work is offered by the Association of Commerce in a new service which it promises to have in operation within 30 days.

It is intended to rescue the harassed debtor from the dread of dunning letters, telephone calls and adjusters during the period when changing economic conditions are affording a chance for rehabilitation. It is to save him from bankruptcy, garnishment, worry, demands of insistent creditors and the loss of self-respect that goes with credit ruin.

"Pooled Accounts" Plan

Fred S. Krieger, manager of the credit bureau of the Association of Commerce, retail division, explains in the two words that are the title of the plan:

"Pooled accounts."

The debtor brings in all his bills. The Association of Commerce totals them up. The debtor turns in an accounting of his wages or income and a statement as to the amount he will need for living expenses.

The difference between the income and the living expenses is given to the Association of Commerce. The association divides it up, share and share alike, among the creditors. Each is given equal treatment. Assured that the bill will be paid in time, all are satisfied.

In six months, a year or perhaps two years, the slate is wiped clean. The bills of the merchant and professional man, the taxes or the back rent, are paid. No loans, no excessive fees or interest, no gray hair, insomnia, dyspepsia or nervous breakdown.

Many Face Garnishment

One thousand accounts averaging \$200 would bring the total of lifted debt burdens and liquidated frozen assets to \$200,000 and the association's spokesman offers this as a conservative possible estimate of the results to be accomplished.

In making the estimate it is pointed out that the important result is the general economic and social improvement looked for.

"Unemployment or greatly curtailed income has protected the debtor in many instances during the depression," Mr. Krieger pointed out, "for his income has been small enough to be exempt from garnishment.

"But as men go back to work or as their hours of employment and income increase they will lose this exemption and become subject to garnishment or other legal action. This plan is intended to protect the well meaning but unfortunate individual and family from having to battle with these forces.

"The credit manager of the reputable store is not hard-boiled, conscienceless and grasping. These men are more than usually sympathetic. They are eager to go to any reasonable lengths to assist the well intentioned debtor but without general agreement or a plan there are problems and difficulties.

"But the debtor has no protection against the exacting and unfair demands of the unscrupulous creditor who will stop at nothing to force payment regardless of conditions or the general economic and social well-being of the community.

MILWAUKEE SENTINEL EDITORIAL 6-26-33

"POOLED ACCOUNTS"

Credit managers of Milwaukee stores, in cooperation with the Association of Commerce, have done a wise and far seeing thing in the establishment of a system by which men long unemployed may be able to clean up their accumulated debts without hardship and without the harassment which may be expected from creditors when their debtors get back to work.

The plan, explained in yesterday's Sentinel, makes it possible for the debtors, by setting aside each month the amount they are able to apply on their back debts, to be relieved of the importunities of collectors and freed from apprehensions of garnishments or other legal proceedings taken by impatient creditors.

The forming of a "credit pool" to receive such payments in a lump sum and allocate the money among the creditors is similar to the process followed by creditor's committees in case of business enterprises which are in difficulties but which can pay out if given time, and not forced into bankruptcy by impatient collectors.

General adoption of the plan, which is approved by the leading retail stores of the city, will do much to relieve the anxiety and make easier the path of those who through long unemployment have found themselves deeply in debt and who must have time in which to work their way out. It insures fair treatment of every creditor and at the same time makes it possible for the debtor to retain enough of his earnings to enable him and his family to live in comfort.

An intelligent, forward looking plan, such as has been evolved, deserves the general approval which the interviews in the Sentinel indicate is being extended.

Creditors to Cooperate

"The harassed and distracted debtor is likely to give first consideration to the least worthy of his creditors, the one who keeps after him relentlessly, even telephoning, writing and calling on him at his place of employment and creating so great a nuisance that the individual is in fear of losing his job just when he is earning a living again.

"We propose to bring all creditors into a cooperative plan by which each will refrain from dunning these debtors, sharing alike in the debtor's ability to pay.

"Free from worry and interference, the debtor will be an untroubled workman and can settle down to a businesslike program of working himself out of debt in a reasonable and constructive manner."

The Associated Retail Credit Men of Milwaukee instigated the plan and called upon the Association of Commerce, as an impartial civic organization, to put it into operation.

It was worked out by a special committee of credit men composed of A. C. Wehl, Gimbel Brothers, chairman; Frank Kielich, Wisconsin Ice & Coal Co.; Oscar Spletter, S. Niss & Son, Inc.; and Erwin Kant, Ed. Schuster & Co., Inc.

The plan has won the approval of the credit bureau advisory committee, H. A. Gibans, Boston Store, chairman, and has passed the inspection of the Association of Commerce directors.

"Credit men generally are in agreement on the plan," said Mr. Gibans. "It will relieve the credit manager of his problem of trying to work out, without cooperation, the problem of those who have been unable to pay but who are earning money again and want to re-establish their credit standing."

Applicants for the service will be referred to the Association of Commerce from various sources, including merchants, professional men, employers and the civil courts. Judges have passed upon the plan and believe it will divert many cases from the courts.

Especially Good News

"Such a plan would be especially beneficial at this time where both debtor and creditor agree to it," said Judge Edmund Gausewitz in a letter to Mr. Wehl.

"During the depression many a person who theretofore never failed to pay his bills became indebted to various persons. He could not help himself and he was also 'judgment proof.'

"Now, as conditions change, will be the time when the debtor's plight may be the worst. He obtains a job and sufficient pay so that he plans to pay a little each month to his creditors. If not molested he can and will do so."

Judge A. J. Hedding declared himself heartily in favor of the plan and pledged any cooperation he could extend.

Benjamin Glassberg, superintendent of county outdoor relief, termed the plan "a constructive method of preserving credit integrity" and "the most feasible way for many persons to relieve the terrible pressure of obligations owing."

Fair to Creditors

H. R. Pestalozzi of the public schools attendance department added his "heartiest indorsement," and R. L. Cooley, director of the vocational school, declared it "fair to the creditors because certain pressing creditors would not be paid in full while others wait."

The credit bureau advisory committee, under whose guidance the plan will be operated, comprises a representative assortment of credit managers, including H. A. Gibans, Boston Store, chairman; Arthur H. Huff, Electric Co., vice-chairman; Pierce H. Bitker, Bitker-Gerner Co.; Fred C. Clifford, First Wisconsin National bank; C. Ray Cook, Edwards Motor Co.; Erwin Kant, Schusters; C. F. Smith, Bloch-Daneman & Home Furniture Co.; Henry F. Stecher, Aug. H. Stecher Co.; and A. C. Wehl, Gimbel Brothers.—*Milwaukee (Sunday) Journal*, June 25, 1933.

MILWAUKEE JOURNAL EDITORIAL 6-28-33

A Timely Credit Plan

A better service to the honest debtor and the fair creditor could hardly be thought of than the "pooled accounts" plan of the Associated Retail Credit Men of Milwaukee and the Milwaukee Association of Commerce, soon to be put into effect by the latter organization.

It is pointed out that many Milwaukeeans, until recently unemployed or working at greatly reduced pay, are again slowly getting into shape to pay off accumulated obligations. The proposal is to give these debtors a single place and a single system for clearing themselves of debt. The place would be the Association of Commerce and the system would permit the debtor to take all his bills to the association's office, where his income and living expenses would be discussed and a surplus fixed. The debtor would deposit that surplus each month, to be divided, share and share alike, among the creditors. In six months, a year or, in some cases, perhaps two years, the slate would be wiped clean.

Under this plan, the debtor will avoid the humiliation of constant dunning and perhaps occasional garnishments, each creditor will be sure that he is getting his part of what the debtor can properly pay and will also be saved the cost of continual dunning; the courts will be saved a great amount of judgment litigation—and everybody will be treated decently.

It is an excellent scheme and at the same time practical and natural, perfectly in keeping with the times. It is good business and at the same time good social service. And during the transition period from unemployment to full employment which we all hope is now on its way at last, both good business and good social service are vitally needed.

The Association of Commerce should and doubtless will have general co-operation in its most constructive plan.

SKIPS LOCATED

A request on your letterhead will bring complete details, samples and references with absolutely no obligation.

NATIONAL INHERITANCE SERVICE
GRANT BUILDING SAN FRANCISCO

"Located is half collected"

Putting Backbone in Credit Granting

THE adoption of codes under the Industrial Recovery Act has caused credit executives to give serious thought to eliminating the evils and unwise practices which have developed with liberal credit during the past ten years.

The Retail Merchants Credit Bureau of Columbus, Ohio, has announced the following credit policy:

1. No credit manager will open a *new account*—
 - (a) When the bureau reports one or more accounts of six months' standing—unpaid and undisputed.
 - (b) When the bureau reports one or more undisputed accounts on which no payment has been made during the preceding three months.
2. No credit manager will extend *further credit* to a customer when that customer owes his store—
 - (a) An account of six months' standing—unpaid and undisputed.
 - (b) An undisputed account on which no payment has been received in the preceding three months.

The retail credit managers of Boston have urged all merchants of Boston to adopt the following:

1. To standardize all terms, classifying them as—regular thirty-day accounts, budget accounts with carrying charges (on all merchandise that lends itself to these terms) and the ten-weekly-payment accounts.
2. To render bills for the complete calendar month, including December.
3. To eliminate any future dating or deferring of billing on August fur or cloth coat sales.
4. To eliminate future dating on any merchandise sold out of season.
5. To eliminate the practice of allowing November bills to be paid in January.
6. To cooperatively encourage prompt payment of bills and to refuse credit to *all* customers who do not adhere to the practice of paying bills when due.
7. To agree upon uniform terms and down payments on merchandise sold on the budget plan, as recommended and approved by the budget committee.
8. To refuse credit to those who abuse the return goods privilege as recommended and regulated by return goods committee.
9. To agree on all overdue dates for accounts after which credit should be suspended by all stores until adjustments are made.
10. To charge interest on accounts that are overdue.

By This Sign We Conquer!

THERE are a thousand questions to be answered, a thousand plans to be worked out, a thousand interpretations to be made; but there is only one basic principle back of the N. R. A., and that is *National Prosperity*.

If all do their part, it will come quickly and all will be happy. Bickering over codes and agreements, even if motivated by a sincere desire to conserve the resources of a particular industry, will only delay the achieving of the great objective.



E. H. GARDNER

FRANK A. FALL



These men offer tested methods you can use in collecting your overdue accounts

TODAY'S UNPRECEDENTED conditions are putting to the test the utmost resourcefulness and skill of every credit executive. You will find practical help in meeting these conditions in Gardner and Fall's new book **EFFECTIVE COLLECTION METHODS**. Enthusiastic praise of this book is pouring in from credit men all over the country. Joseph H. Seymour of the F. E. Powers Company, Worcester, Mass., for example, collected \$100 on the first old account tried with a letter suggested by this book. H. S. Thomas of the Thomas & Crabbe Baking Company, Bridgeport, Conn., reports that it had paid for itself many times over within two weeks after he bought it.

You can put *Effective Collection Methods* to immediate and profitable use whether your business is large or small. It is filled with ideas and methods that are being used successfully *right now* in concerns of every kind and size.

This is no compilation of smart aleck, one-time, high-pressure schemes but is instead a *complete*, organized explanation of up-to-the-minute methods that collect money without cutting down sales or losing good will. No matter what the collection problem that is bothering you, you will find definite assistance in its pages.

Effective Collection Methods shows the practical application of the principle of resale in collections. It breaks the collection process into six distinct stages and guides you to the most effective action at each stage. The use of various effective appeals is illustrated by actual examples.

There are hundreds of practical suggestions on cleaning

up old accounts, on getting new customers started on the right basis, on handling installment accounts, on speeding up collections, on the use of the telephone in collection work, using collectors, etc.—Office system for collection work is thoroughly covered.

You'll find especially helpful the 265 specimen letters this book contains. They offer you ideas you can use right now in your own letters. They deal with practically every situation in which collection letters ever have to be written.

You will find it worth while to check your present collection policies and methods against the ideas that are described in this book. So you can do this, we will gladly send you a copy of *Effective Collection Methods*—at our risk, without advance payment, and delivery charges prepaid—with the privilege of five days' examination before you need decide whether to keep it. Merely fill in and mail the coupon below—the book will be sent by return post.

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and Frank A. Fall
Past Director, Natl. Inst.
of Credit, Natl. Assn. of
Credit Men

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The Gold Standard and Inflation...

... how they affect the
credit structure ...

By BERT EVANS

Secretary, Morris Grocery Company, Clarksburg, W. Va.

WHAT is the *Gold Standard*? In the first place what is *Gold*? It might be defined as a valuable metal, which is coined and used as money. *Standard* means *Quality*, therefore it is a metal with a certain quality.

Now what is the quality that has been prescribed for money? For gold it is of nine-tenths fineness, in other words nine-tenths perfect, 25.8 grains to the dollar, and it is upon this metal and quality that the *Gold Standard* is based, for the reason that a certain amount of this metal of this quality will be accepted as a certain sum in payment for the value of goods or service.

When we speak of being off the gold standard, let us not be confused by thinking we are off of gold as a basis for money. Gold is still the basis of our money, but we are off the standard of it, by that I mean the quantity of gold is reduced as a backing for currency or money coined or issued. Perhaps this can better be explained by an illustration:

By international agreement or trade, the English pound was fixed in value at around \$4.84 in our money—that is by taking the weight of the gold in the pound and the weight of the gold in reserve in this country to back the \$4.84. Now you understand, of course, we do not coin gold dollars because they would be too small for use for one reason, and another reason is the wear on the metal would gradually lessen its weight, then its value would decrease, as in making international settlements it is not the denominational value of the coin but the gold content by weight that makes the value.

For that reason we issue paper currency with the gold held in reserve, or trust you might say, to redeem the currency if necessary. Now as long as these values of gold standard, one English pound to \$4.84 of our money held equal, we were able to compete in foreign trade, and by our methods of production and natural resources we no doubt had the advantage, but when England two years ago went off the gold standard, it brought the value of the English pound down at one time to around \$3.24. You might ask what that has to do with us, and in order to make it clear I must use another illustration.

Let us presume that the Argentine shipped goods to this country and also shipped goods to England, and for the sake of illustration, the value of the goods shipped to England was one pound, and to this country \$4.84.

Now that is an equal amount of goods and value to each country, because the same weight and quality of gold is in the money (with both countries on the gold standard).

Now the Argentine needs something that she can purchase either in this country or England, and it is immaterial to her where she purchases the article, so we would at least have an equal chance with England to furnish the goods, providing of course freight rates and exchanges were equal, and possibly we would get the order, but with England off the gold standard and the United States still on the gold standard, this is how it would turn out on this same transaction: The English pound now being worth only \$3.24 in our money, the Argentine would demand the gold payment from us of \$4.84 for the goods shipped us, she would then send \$3.24 of this to England and buy the article she needed, and save \$1.60 on the transaction.

You might still say, "Well, what has that to do with us?" Let us analyze this transaction. In the first place we received goods from the Argentine in which no American labor was employed. Second, we did not sell her anything in exchange which might have employed American labor over here. Third, we had to pay out to her a part of our gold thereby lessening our *Gold Reserve*. Fourth, a part of *our gold* went to England for the purchase of the article thereby increasing her *Gold Reserve*, and also giving work to the English people to make or produce the article, cutting down the labor in this country. Fifth, the balance of the money (\$1.60) the Argentine kept to increase her *Gold Reserve* by that amount, or to purchase some other article from England.

Editor's Note:

This article is from a recent address at a meeting of the members of The Credit Bureau, Inc., of Clarksburg, W. Va.

The author, who was born and educated in England, is Secretary and Credit Manager of one of the largest wholesale grocery houses in West Virginia. He was the founder and first president of the Central West Virginia Credit and Adjustment Bureau (wholesale) and is an active worker for the improvement of credit conditions generally.

—D. J. W.

That is how the system works in international trade, and that is why the United States had to go off the gold standard because other countries did so.

Our imports increased so rapidly as compared to exports and became such a drain upon the *Gold Reserve* that the American people themselves became alarmed and started an unprecedented hoarding of gold. (It is this gold in reserve that makes the credit structure.)

Let me give you another illustration of how the money system works with us on the gold standard and with England off the gold standard. This illustration will show why firms will buy from other countries even though their business is in the United States, and what I am about to tell you now is an actual fact.

I have a cousin in England, and naturally around Christmas time I want to send her a present. Now suppose I decide on a present that can be purchased either here or in England, and we will say the present costs five pounds in England and its equivalent here, *under the gold standard*, is \$24.20. A few years ago I would go to the bank here and pay them \$24.20, plus the small rate of exchange, and buy five pounds of English money and send it over there, or I could purchase the article here and mail it myself, the postage being about equal to the exchange I paid the bank, and it would make no difference as far as cost is concerned whether I sent the money or the article from here.

But with England off the gold standard let us see what happens. I go to the bank now and buy five pounds of English money for \$16.20. I mail it to her and she can convert or change it into five pounds over there and buy the article there. I have given her the same article as before, but I have saved \$8.00 over what it cost me before. With this illustration you can readily see why money will flow out of this country for purchases abroad, which do not give our citizens labor, unless our tariff is sufficient to protect it but that is a subject within itself.

While I have given all of my illustrations in small amounts, you can have an idea what it means when you consider that trade runs into millions. I have used comparisons of English and our money for the reason it is probably more familiar to us.

There is no doubt that if it were not for debts this country would not have found it necessary to go off the gold standard. We incurred debts to a certain extent upon the strength of what was owing to us by other countries. I mean by that, bonds were issued in this country, some of the proceeds of which were loaned to other countries to carry on the war. In our own country people went in debt beyond their ability at this time to pay. A large portion of the funds loaned abroad was used for war materials that were destroyed, thereby removing the physical value of the funds; in other words the credit behind the funds.

Then again credit was extended, or purchased rather, with not enough attention being given to the value of that credit.

Going off the *Gold Standard* affects the *Credit Structure* in this respect. Our *Gold Reserve* is the value be-

hind the different denominations of our money in circulation. This gold reserve is the credit backing or value held by the United States for payment of the money it has issued in case you want the gold instead of the circulating money. If I have a ten-dollar gold certificate, I can either get the gold for it, or pass it on to you and you can get it, or I would be entitled to credit for that amount because I have the equivalent in value.

Suppose you have given me, or accepted rather, ten dollars worth of my credit on the strength of knowing I had the ten-dollar certificate, worth ten dollars by the gold standard, and before I paid you and redeemed my credit, the country went off the gold standard, and my certificate dropped in value until either you or I could only demand and secure \$8.00 in gold for it! What becomes of the other two dollars worth of credit? You either accept my certificate and have a loss of two dollars, or you still have two dollars worth of my credit which I am unable to redeem.

The question then arises: Shall people suffer and wipe out these losses? That means many failures, ruination to some and lack of employment naturally resulting from failures, and if allowed to continue may lead to social unrest and perhaps revolution. Shall we have this or would it not be better to have a little inflation?

Now let us see how inflation would work:

Let us take a farmer, or a home owner for that matter, whose income either from his individual production, or from wages, was say \$4,000.00 a year before the depression. It would probably not be out of proportion to have loaned this farmer or home owner \$7,500.00 to purchase either a home or a farm, and he could meet his payments as agreed. Now his income is cut in half, to \$2,000.00; while he may be able to purchase twice as much commodities now owing to the drop in prices, yet his debt and interest stand just the same in amount of dollars.

If, before the depression a farmer's labor produced we will say four thousand bushels of corn for which he received a dollar a bushel, receiving four thousand dollars for the yearly income which enabled him to live and make his payments, and now he is still raising the four thousand bushels of corn for one year's work, but has to sell it for fifty cents a bushel, thereby only realizing \$2,000.00 yearly income, how is he going to pay for the balance owing on the farm or home which we will say is \$6,000.00? Naturally your first thought is he should work harder and raise more corn.

Let us presume he does and everyone does the same thing; then we have more corn than can be used, a struggle begins, called *Competition*, to get rid of it and the price goes down to 25 cents per bushel. He has raised more in order to keep his income up to \$2,000.00, but still he cannot touch the payments of the debt.

Now if we inflate the currency, that is, issue more money on the gold reserve we have held, then we weaken the credit structure by having more currency to redeem,

if necessary, with the same amount of gold. But which is best—to have inflation thereby raising commodity prices which will possibly bring the income of the farmer or home owner back to \$4,000.00 thereby putting his income and debt more in line and enabling him to pay off the debt, which would put a little extra strain on the credit structure, or cancel all debts down to the proportion of incomes today?

For my part, I believe a moderate, controlled inflation policy is better. People as a rule do not want to repudiate their debts, but they must have a way of paying them if they are to be paid, and it is rather amusing sometimes to listen to the arguments put forth as to how debts should and can be paid. As an example, I have heard it many times, "that if each German would quit drinking a glass of beer daily they could pay their war debt to us," and how I have heard this statement cheered.

Now let us see how we would get the debt paid on that basis. If they quit drinking the beer, naturally the German breweries would lose business, and would have to lay off men, thereby adding to the unemployment in that country. Could we get the debt paid by the men out of work with no income? Let us suppose they quit drinking the beer. We might have been glad to accept it here if they had been allowed to ship it to us in payment of the debt, but this we would not allow, and now that we are allowed beer in this country shall we allow them to import enough of it into this country to wipe out the debt, thereby closing our brewery trade which has caused so much fuss to get started again?

In closing I want to suggest that we do not become unduly alarmed by the present talk of being "off the gold standard" and "inflation," because if it were not for the radio and the newspapers perhaps none of us would have known whether we were off or on!

I believe our President and his advisers know just how far it is safe to go with inflation, and I believe they will adhere to the safety line, and with the confidence of the American people restored we will come out all right, possibly a little poorer for awhile but wiser, which may be better for us. Don't be impatient for too quick recovery; remember that prosperity is based on trade and buying power, and our President thoroughly realizes this as his greatest efforts are being made to put men back to work, and his appeal is for higher wages which means increased buying power.

Internationally he is trying to have the leading countries of the world stabilize their money, that is fix the value of the pound to the dollar, and money of other countries, and it will then make no difference whether the denominational value is lower or higher as long as the value is equalized with a standard backing agreed to by the nations, because after all gold in itself has very little use except that it be used either for money or money backing to carry on trade, and without trade its value could sink to the value of most any metal or commodity.

Naturally the gold standard and credit structure are closely allied to such subjects as bimetalism, free coinage

of silver, and so forth, that are also being talked so much about, but even though our President has been given the power over these things to act as he thinks best, *I don't believe you will see these powers exercised.*

(Note: Gold content of a dollar is 25.8 grains, nine-tenths fine, and the ten and twenty pieces, 10 or 20 times basic amount. Silver dollar contains 371¼ grains of silver. One ounce of ingot gold will buy 59 ounces of bar silver.)

» » »

John C. Griffin--New Assistant Secretary

THE favorable action of the Board of Directors on the suggestion of Manager-Treasurer Woodlock that National Secretary G. H. Hulse be loaned to the National Consumer Credit Reporting Corporation, in order to devote all of his time to the completing of the



John C. Griffin

"set-up" of that corporation, made necessary the employment of an assistant secretary to take care of the correspondence handled by Mr. Hulse. Mr. John (or "Jack," as he is better known) C. Griffin was selected and became officially connected with the National Retail Credit Association on August 1, 1933.

Mr. Griffin is a native of Texas, a graduate of the Rice Institute, Houston. He received further training at the National Institute for Commercial Organization Executives at Northwestern University, and for three years has been manager of the Credit Bureau at La-Grange, Illinois. During the past two years he has been, in turn, vice-president and president of the Associated Credit Bureaus of Illinois.

Owing to the illness of Earl Wright, Manager of the Southeastern District, Mr. Griffin will be temporarily in charge of the Atlanta office of the National Consumer Credit Reporting Corporation.

» » »

A New, Worthwhile Book on Installment Collections

Samuel W. Guggenheim, Treasurer, Garson & Wood, Rochester, N. Y., has dipped into the well of experience and written a book, *How to Collect Installment Accounts*. And this is not "just another book," but a storehouse of practical information and successful letters. I say *successful* letters after reading "The Proof of the Pudding," a three-year record of results. Get this book—it's a good investment for anyone handling installment collections.—D. J. Hannefin.

Using Statement Stubs for a Collection Tickler System

By MANDUS E. BRIDSTON

[... the stub holding the statement in place during the process of billing is usually thrown away]
[... this plan describes a collection record system built from the ordinarily wasted stub ...]

IN THIS day when every operation is expected to yield a composite performance, the plan of putting the usually wasted statement stub to work will be of interest to firms using Elliott-Fisher billing machines. The system is at work for the Rhodes Department Store, Seattle, and was originated by the controller of this company, A. H. Heiland.

In the course of billing during the month, the billers make notations on the stubs holding the statements in place. The stub is printed with checking squares to cover this information concerning an account: Opened or reopened this month; paid in full this month; date of last purchase; date of last payment.

After the statements are in the mail, the detached stubs are put to work in a number of ways. First they are segregated into groups according to the date of the last payment. To know how swift is the collection pace, is to simply count these segregated groups! Turnover in accounts receivable is watched very closely by every executive these days, but aging of accounts is usually a costly process, as compared to the by-product stub system used by Mr. Heiland.

After the stubs have yielded age classifications, they are used in lieu of collection cards. The stub bears the name, address, and account number of the account, as it is headed up on the addressograph simultaneously with "statement heading up."

The stub collection card operates in the usual fashion from a tickler file, segregated according to promise-to-pay dates, or the dates when the accounts are slated for more collection pressure.

When the stubs are turned over to the collection department, at the first of a month, they are checked in two ways. As the Rhodes system calls for a record of all collection activity on the ledger sheet, the first move is to consult the ledger sheet and see if it is marked with a "C," indicating that it is being worked on in the collection division.

Also, details of specific activity are recorded on the ledger sheet, including the date of the next contact. This informs the clerk where to look for the stub collection card in the tickler file, and the new stub is either discarded or put in place of the stub record of the previous month.

This checking is made easier because all "stop" accounts are in one binder. The checking does not involve a great deal of effort, especially when it is considered that the stub system eliminates the making out of collection cards.

Further, it acts as a "traffic copy" of collection activity. An account might be passed up with the usual practice, for instance, with the misplacement or loss of a collection card, but this cannot happen when a new collection card makes its appearance every month, via the statement stub.

» » »

Associated Retail Credit Men of Washington Hold Annual Meeting

The annual meeting of the Associated Retail Credit Men of Washington, D. C., was held July 19 at the Congressional Country Club. John W. Tallentire of the Hecht Company, President, in his report brought out that the year was a decidedly successful one and announced the leasing, for five years, of new quarters for the Credit Bureau operated by the Association. These ideal offices are on the ninth floor of the Earle Building, 13th and E Sts. N. W., in the heart of the retail district.

RHODES
 DEPARTMENT STORE
 SEATTLE

Mrs. John Doe
 4450 27th Ave., South
 Seattle, Wa.

PLEASE DETACH THE PORTION OF BILL AND RETURN WITH CHECK

DATE	ARTICLES	CHARGES	CREDITS	LAST PAYMENT (BY DATE)
1931				22 50
NOV	Previous Balance			
			22 50	60
NOV 15	CASH			

LAST PURCHASE

JAN ☐ FEB ☐ MAR ☐ APR ☐ MAY ☐ JUN ☐ JUL ☐ AUG ☐ SEP ☐ OCT ☒ NOV ☐ DEC ☐

LAST PAYMENT

JAN ☐ FEB ☐ MAR ☐ APR ☐ MAY ☐ JUN ☐ JUL ☐ AUG ☐ SEP ☐ OCT ☐ NOV ☒ DEC ☐

THIS STUB IS TO BE USED AS A COLLECTION CARD. IT IS TO BE PLACED IN THE COLLECTION CARD FILE. IT IS TO BE REMOVED FROM THE FILE WHEN THE ACCOUNT IS PAID IN FULL. IT IS TO BE DESTROYED WHEN THE ACCOUNT IS PAID IN FULL.

RHODES DEPARTMENT STORE

Budgeting Expenditures to Fit Reduced Incomes

By RUFUS TERRAL

FACED with the necessity of living on a reduced income, do you know what you can now afford? With credit probably meaning more to you than it has previously, do you know how to use it without letting it run away with you to your own considerable injury?

If you can answer "yes" to both those questions, this article is not intended for you, but the files of credit rating organizations bear eloquent testimony that many of the persons who are positive they know the answers are deluding themselves.

Advice on these and related problems is given to scores of individuals every year by J. Morgan Bright, secretary-treasurer and manager of the Retail Credit Men's Association, and it is given because they ask for it.

They are, for a great part, persons who exceed their means without actually being aware that they are doing so. They are doctors, lawyers, preachers, industrial workers—rich man, poor man and beggar man. There was, for example, the woman who came into Mr. Bright's office one afternoon with the announced desire of buying an automobile.

Although quick to see facts when they were presented to her, apparently she had never quite got to finding out the facts for herself by analyzing her income, which was a moderate one, to determine whether she could afford a car.

A rapid and informal analysis by Mr. Bright revealed that the woman not only was unable to afford an automobile, but without that added expense was living beyond her means. Intelligent and reasonable, she saw at once the force of the figures the credit man placed before her; and so both she and the dealer were saved the wasteful and disagreeable experience of a transaction that was foredoomed to failure.

The bankruptcy files of the United States district court also are eloquent in this regard. Fully 90 per cent of the individual bankruptcies include substantial items for medical bills, Mr. Bright said, and the home budget that does not have an item of reserve for medical care is so sadly out of joint that it may strike disaster any day.

The Ideal Home Budget

How, you may be asking, would the ideal budget be made up? Here is the way Mr. Bright attempted to answer that question. Taking the unmarried man and the married couple without children as the two groups that probably contain more individuals than any other easily separable classes, he drew up the budgets on the basis of \$100 a month income, selecting this figure because the items may be considered as representing either dollars or percentages. These budgets, he said, will ap-

ply to all incomes of \$200 or less, an income classification that will take in a very large part of wage and salary earners.

The item for clothes includes all costs for personal appearance, among them laundry, cleaning and pressing; the budget for the married couple is based on the presumption that the wife is not working, and the item for clothes would be divided 60 per cent for the husband and 40 per cent for the wife. The public service item includes water, electricity and gas. The amusements item includes tobacco.

Insurance was not given a specified percentage in the budgets because it would be extremely difficult to say what part of the salary it should consume, Mr. Bright explained; but it should receive from 5 to 15 per cent of the total salary.

Editor's Note:

This article, originally published in one of the daily newspapers of Chattanooga, is reproduced here because it is one of the finest examples of local association publicity that I have ever seen.



J. MORGAN BRIGHT

*Manager, Retail Credit Men's Association
Chattanooga, Tenn.*

It's more than good publicity—bringing the existence of the local credit association into the consciousness of the public—it's a lesson (much needed) in budgeting expenditures to live within reduced incomes.

Mr. Bright is to be complimented, not only on his sagacity in obtaining such excellent publicity but for his sound, constructive thinking as well.

—D. J. W.

Shelter and food were placed together in the budget for the unmarried man, because the bachelor should arrange to take his meals at the place where he rooms and separation of the two items is impossible in an economical budget, Mr. Bright said.

"The figure for clothes, which includes all items of personal appearance, is very liberal," the credit man explained, "but I think this factor means a great deal in business and should receive a liberal allocation on the budget."

The budget for the married couple with the wife not working would apply in the main for the married couple with the wife working, since the wife should make materially more than the living costs added to the family expense by her working, Mr. Bright said.

Now for the person with an income of \$200 or less that has been reduced. Where should he cut down? What items of the budget should be affected first, and what should be the last to be cut?

The items for amusements, shelter, food and clothes should be reduced first and the savings and medical fund should be the last to be tampered with, yielding under only the most extreme necessity, Mr. Bright said.

"Medical costs and installment buying are two of the things people trip up on most often," he said. "Medical treatment plays a large part in the expenditures of every person and it seems to me that some system must be devised to enable persons of moderate incomes to meet the cost.

"The improvident individual who lays nothing by for a time of illness sooner or later finds himself swamped with medical bills. A bill of several hundred dollars is overwhelming; he is discouraged from the start, pays only a small part of it—if any—and ends in the bankruptcy court. Medical bills play an important part in the causes of fully 90 per cent of the individual bankruptcies.

Medical Items Important

"The medical and savings items in these budgets are reserves against contingencies that the individual would much better realize are going to occur. It is almost impossible to overstress their importance and a vast deal of trouble and suffering would be avoided if they were faithfully maintained in the home budget."

And so to the question of credit and how to use it—a question in which, according to Mr. Bright, installment purchasing is a factor that is quite as dangerous when handled incorrectly as it is advantageous when handled properly.

The limit to which any individual should indebted himself for nonbusiness needs is the amount he can pay off within sixty days, Mr. Bright said. If the man with \$200 a month income has a surplus of \$20 a month after his budget items are taken care of, he may safely indebted himself for \$40, and he should set aside the money to liquidate the debt by the end of the sixty days.

"Unless he is careful to restrict himself to the amount of credit he can pay off in this length of time," Mr. Bright said, "he is most likely to get a rating of slow

pay that will injure his credit and do him more damage than he will realize until he stands really in need of a good credit rating."

TWO TYPICAL \$100-A-MONTH BUDGETS

The Unmarried Man	The Married Couple
Shelter and food...\$35	Shelter\$25
Clothes 15	Food 18
Medical care 5	Clothes 20
Savings 10	Public service 5.50
Insurance, church, charity, incidents 20	Medical care 5
Amusements 15	Savings 10
	Insurance, church, charity, incidents 11.50
	Amusements 5

Installment purchasing may easily confuse the unanalytical user of credit because of the very obvious fact that the debt does not come due in the lump sum, Mr. Bright said. "The phrase, 'A dollar down and a dollar when they catch you,' is an all too apt expression of a foolish attitude that in many instances has turned the mutual advantage of installment purchasing into a mutual disadvantage to seller and buyer," he declared.

"Installment purchasing can be done safely and wisely only when it is taken into account jointly with open credit account," Mr. Bright said, "and the amounts due monthly on installment purchases are deducted from the surplus of income available for credit buying.

"For example, if the individual with \$200 a month income has incurred obligations of \$10 a month for installment payments, he should deduct that amount from his \$40 limit of open account credit, and indebt himself for only \$20 on open account, since the installment payments would require the remainder of the surplus in the sixty-day period.

"The doctrine I am preaching here is a little spartan, but the man who applies it will find economy has its compensations," Mr. Bright said. "Most of the troubles small home owners are having today are due to ill-advised purchases of homes that were beyond their means. They may have had temporary pleasures in the ownership of something better than they could afford; it may have done their vanity some temporary good to be keeping up with the Joneses; but these very doubtful satisfactions could never compensate for the headaches they are having now.

"By now there has come a pretty general realization that from the standpoint of both it is highly desirable for the seller to attempt to restrict the buyer to a price level the buyer can afford and for the buyer to face these facts. There has also come an honest desire on the part of the seller to place before the buyer the picture of all the costs—payment of capital and interest, taxes, insurance, upkeep, repairs and replacement.

"Economy is an intensely personal thing and while a rule of thumb is good to remember as a sort of lighthouse to warn against known shoals, it must be adapted to the individual's requirements. In these budgets we have set .25 per cent of the income as the maximum to
(Continued on page 32.)

The Unchanging Principle In Credit Granting

By LILLY B. KEMMERER

Credit Manager, Frost Brothers, San Antonio, Texas

WHAT is your reaction when a new customer casually comes to you, Mr. Credit Man, and requests a charge account? Do you regard her with suspicion, dread and doubt? Let's hope not. For proof of why we should not do so, let us review the trials that our people have withstood the last two years. A little reflection along these lines is bound to make us admire and value more than ever before, the courage, stamina and fortitude with which Mr. Average American is coming through.

But, you may say, do not our records show an increase in bad debt losses, also an increase in refusals in opening new accounts? Even though we have experienced this condition, I maintain that this does not mean a decrease in the morale of the buying public.

Various circumstances have prevented many worthy citizens from paying their obligations, but it is highly probable that 90 per cent of these accounts would be paid immediately if conditions were to improve so that it would be possible for them to do so.

Credit has been, and always will be, based on the finer, higher qualities in man—honesty and character. For this reason, those of us who have made credit appear cheap in the past through "cheap" advertising, competition in credit terms, or through soliciting charge accounts with little care and without the proper investigation, have made grave mistakes.

Let us not make another mistake by shifting the blame where it does not belong, for that will not right the wrong already done. Coupled with honesty and character in a man, another age-old fundamental in extending credit is the ability or capacity to pay.

We have always had the tools at hand with which to determine these fundamentals in granting credit. How essential it is then, to obtain all information possible from

the customer, to clear each application for credit carefully through the credit bureau, and to make sure that our applicant understands when we expect payment of the account.

Regardless of how many discords a beginner may strike on the piano, the principle of harmony in music remains the same.

Regardless of how many mistakes may be made in mathematics, the rule to find the correct solution remains the same. How thankful we should be that this is true regarding the principle of granting credit. The use of credit is an ancient custom, and its principle has always been, and will remain

the same.

Under the stress of circumstances now, we come into contact with customers who have been unable to adjust their affairs. That is likely to happen in an unprecedented time like the present, but with our ex-

perience, and a more diligent study of our profession, we should be in position to lend a helping hand in many and various ways.

We are not helping the situation if we should open an additional account if there are other unpaid accounts. Our position is to influence our customers to treat their credit standing as a "sacred trust," and not to deliberately cheapen it by heaping additional burdens upon them, and incurring added losses for our firm.

How can we help the man who has every good intention, but whose ability to pay has been cut off, so that he is unable to meet his obligations? At the outset, we should convey to our customer the idea that we have confidence in him, in his ability to work out of his difficulties.

This can be easily done in our conversation with him regarding his unpaid account, as well as in our corre-

(Continued on page 22.)



"What is your reaction . . . when a new customer requests a charge account? Do you regard her with suspicion, dread and doubt?"

Charge Accounts - - Properly Controlled - - Boost Grocery Sales

By DANIEL J. HANNEFIN



[[A Story of Small-Store Success Based on an Interview With August Kurtz
and John A. Hoel, Proprietors of The DeMun Market, St. Louis, Mo.]]

DURING the past ten years, August Kurtz and his son-in-law, John A. Hoel, proprietors of The DeMun Market, Saint Louis, have built a successful grocery business in the shadows of a half-dozen larger stores of the cash-and-carry chain type.

Themselves members of a voluntary chain (Associated Grocers), they have retained that "priceless ingredient" of small-store success—the personal touch.

To this they have added personal service, close and dependable supervision of every detail from the selection of just "the" cut of meat preferred by each customer to getting Mrs. Finicky's order delivered, "per specifications," in time for the school children's lunch.

Naturally, charge account business is a necessary adjunct to delivery service. Fully 50 per cent of their customers are charge customers, and they are always on the lookout for high-type credit prospects.

Where charge accounts are frowned upon by most small grocers, Mr. Kurtz says:

"We consider charge accounts—*properly controlled*—the backbone of our business. The charge customer is a steady customer, a tangible asset, who can be counted on for a definite amount of volume—week in and week out. We can pick out any customer's charge record and tell you, within a few dimes, what that customer's regular weekly purchases are—*just by referring to the customer's charges for the current week.*"

Properly controlled—those two words speak volumes: Proper selection of credit prospects, a credit bureau report on every applicant, a proper understanding of terms and—*short terms, properly enforced.*

Regular terms, on most accounts, provide for payment weekly. (Some, where paying records justify, run bi-weekly or monthly.) And—here's the secret that could well be pondered over by a lot of larger stores—as weekly bills are never very large (compared with monthly bills), they are *easier to pay*, hence paid more promptly.

Speaking of the value of membership in the national and local credit associations, Mr. Hoel says:

"We believe in membership in the national as well as the local credit association. In fact we believe the small store needs their protection as much as, *if not more than*, the large store.

"The large store has better protection, its own house detectives, last-minute information on crooks and rackets.

"But the small grocery store, like all small stores, is on the fringe of business, the *first port of call* for 'skips' and drifters from other localities—the easy prey of bad check passers, poor credit risks, all those who are 'trying to get by.'

"Credit membership signs, we believe, offer protection for the small store, just as much as for the larger one. People come in, see the signs, so are prepared to find here the same credit scrutiny they would in any of the downtown department stores."





A Community "Watch Service" Instead of Interest Charges

By ED. C. POWERS

Credit Manager, The Johnston-Shelton Co.
Dayton, Ohio

ONE of the many important functions of the credit man of today is to safeguard the store, as well as the customer, from overloading of credit on open charge accounts. The merchants of today should strive to adopt a carefully laid plan to prevent the customer not only from overloading his credit at one store, but also from overloading it at two or three stores in the same line of business.

This customer, if allowed the opportunity, will carry the limit of his credit at two or three mercantile establishments without having any plan of liquidating his accounts in what might be termed a reasonable length of time. To carry an account over ninety days naturally costs money, not only on the price of the merchandise, but also the cost of bookkeeping, of follow-up, etc.

If the customer finds that it is possible for him to carry his account in a store where he is charged a small rate of interest he naturally will feel he is entitled to a longer period of time in paying this charge, due to the fact that he is paying a portion of his money as a carrying charge. So the merchants of Dayton feel that the "Watch Service" will enable them to liquidate their accounts a lot quicker than if they charged interest on past due obligations.

The question is asked, "What is Watch Service?" This plan, adopted by the merchants of Dayton, consists of the following: When a customer calls at A's store, where she already has charged up to the limit of her credit, and is asking for an additional amount, the credit manager calls her to the office to make arrangements concerning the charge.

If at the close of conversation he finds that the customer is not entitled to additional credit, and that it will be rather hard for her to pay the obligations she already has contracted, he immediately notifies the credit bureau of this fact, stating: Mrs. Customer, refused additional credit of \$5.00; already owes \$45.00 from December, 1932.

This warning is then flashed by the credit bureau to all members who according to the credit bureau's master card record have had credit dealings with the customer. This warning is flashed by the use of Telautograph. Now when the customer goes to B's store and asks for credit she is again requested to call at *their* credit office, and

told that it will be impossible for her to obtain additional credit until she calls at the credit bureau.

When this customer calls at the credit bureau she is told it will be necessary for her to pay up her past due obligations before further credit will be extended. This method of controlling accounts was agreed upon by all merchants before it was put into actual working order, and it is open to all members of the bureau. During the past year that it has been in operation it has saved thousands of dollars that would have been due for an extraordinary length of time, and many of these accounts would have a tendency to find their way into the Profit and Loss Ledgers.

This service that is rendered by the credit bureau, of course, is paid for by the merchants—the bureau having figured the cost of handling this information and flashing the warning to the various members concerned with the account.

We feel that this plan is far better for all concerned rather than to try to sell the customer additional merchandise and charge him interest for the length of time to carry his account.



—Photo courtesy Telautograph Corporation

This warning is flashed by Telautograph to all members who according to the credit bureau's master card record have had credit dealings with the customer.

Again, we believe "Watch Service" is better than interest, for it does not require any additional clerical work on the part of the store involved either in bookkeeping or follow-ups.

Telautographs Connecting Stores and Bureau Cost Less Than Any Other Form Ever Used!!

—BECAUSE—

Telautographed Messages Never Require Re-Writing

—AND—

Save the Cost of Checking Back On Verbal Messages!

Actual Test Showed Saving of 50% On Each Message!

(Proof in Our Files)

Below Are Given Comments of Users—After Test

"It gives us instant communication, saves considerable time and permits us to have a record of the transaction, not only for our own use in bookkeeping, as we use the telautograph inquiry as our sales-slip, but helps us to check up employees when mistakes have been made."

"Outside messenger service reduced or eliminated."

"Ideal for broadcasting warnings."

"Our members are exceptionally well pleased and claim 25 per cent reduction in labor expense with better service."

"We also find that the Telautograph relieves the various Office assistants of the necessity of immediately leaving whatever work they may be at the moment engaged in to answer a telephone call concerning credit, as this information now comes in through the Telautograph system and the information thus received or the requests for credit information made by the Credit Office are given attention as soon as possible after an assistant has finished a definite task."

"I discussed the efficiency of the service rendered by means of the Telautograph with various of our credit men who have them now in their service, and they are well pleased, particularly those institutions who received information from us previously entirely by phone. This new method gives them a written memorandum of the information as reported by our operator, promptly and complete."

"We believe that this machine is filling a long felt want and it will only be a question of time when it will become almost an absolute necessity in an up-to-date Credit Bureau."

"Telautograph allows you opportunity to know EXACTLY what was said and when it was said and of course undeniable evidence for 'checking,' and it eliminates gossip."

"Formerly it took several days to get through some reports whereas now invariably we get the information the same day we make the inquiry."

"It is a wonderful improvement over the old telephone service between this store and the Credit Bureau and the telephone and messenger service that formerly existed in our stop delivery system."

"Saving in time alone is, in our opinion, sufficient to pay for the cost of its operation."

"The reporters in the bureau now know that they are making a written record, one which can at any time in the future be checked back; hence, the accuracy and completeness with the previous report present no comparison."

"We do not regard ourselves as heavy users compared with others of bureau service, but I am sure it will be a profitable investment for any user averaging as many as a hundred reports per month."

"If one clerk had to take them over the phone we should have had to have extra help in the department."

"We would highly recommend this system in the transaction of reports as we feel it has been a profitable expenditure in many respects."

"May we voice our praise of what we think to be the Telautograph's greatest asset to any Credit Department—its ability to secure information 'silently' while the customer is waiting."

"The machines have accomplished a reduction of at least twenty-five per cent in the labor on the part of two clerks employed in handling incoming and outgoing inquiries and with less confusion due to the fact that it is possible for our clerks to make investigations while information is being received from the Bureau office, thus also speeding up service."

Can You Afford to Be Without This System? The Cost Is
Only About \$1.00 Per Day For Each Store Connected!

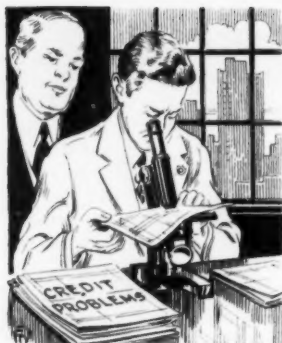
DEPENDABILITY

ECONOMY

SERVICE

TELAUTOGRAPH CORPORATION

FACTORY AND GENERAL OFFICES: 16 WEST SIXTY-FIRST STREET, NEW YORK, N. Y.



The CREDIT CLINIC

... A "give-and-take" page, wherein readers may ask—and answer—questions about their credit and collection problems and solve them in the laboratory of practical experience ...

A NEW feature page in The CREDIT WORLD, wherein our readers may submit any problems or questions pertaining to credits, collections, methods or systems.

Each question (or problem) will be referred to a picked group of members throughout the country, known to the Editor to be well qualified to answer that particular question. Questions and answers will be published in The CREDIT WORLD for the benefit of all readers. Names of those inquiring will not be published if they make such request.

What is *your* problem? It's *your* page—use it!

The response to the foregoing announcement (in the July issue of The CREDIT WORLD) has been most gratifying. The paragraph below, from Dean Ashby's answer, is typical of the many comments received:

The exchange of ideas and plans used by members through the use of the "Credit Clinic" is an indication of a forward step by all interested in the extension of retail credit.

This Month's Problem:

"Would appreciate it very much if you would give me an outline as to what other stores are doing in regard to their accounts receivable, i.e., in what way they have them set up so as to catch installment accounts on the due date.

"We have at the present time a system in which we have invested a considerable sum of money. Our accounts are filed in numerical order and in this way we start running them from the first tray, numbering 1 to 939, etc., through our five thousand installment accounts.

"You can readily see the difficulty in handling the accounts. If we were running the accounts, the possibility would be that on the fifth of the month there would be a number of accounts due on the fifteenth. Naturally those accounts would not get any attention until the following month, if they did not pay during the current month.

"I would be very grateful if you would give me the information as to what other credit men are doing with this problem. Under this arrangement we have given some thought to a 'tickler' system."

—F. J. TIERNEY, *Credit Manager, Galperin Music Co., Charleston, W. Va.*

The Answers:

(See also William Browne's article on page 20, "Equipment for Handling Deferred Accounts")

"We'd Like a More Efficient Set-up, too"

In the first place let me say frankly that the follow-up system we are using is not satisfactory, but so far we have failed to find a better one that is adaptable to our business.

Briefly, we run practically two sets of books; one the regular machine posted ledger, the other a collection card covering each account, kept in the cashier's cage on which all payments are endorsed, and which is used for collection follow-up.

The Cashier's office runs these cards once each week, mails past-due notices (we mail two of these, three days apart), and then refers the card to the Collection Manager, if unpaid. We have weekly, monthly, and semi-monthly accounts, and in addition the accounts are rated at the time of opening, with A, B or C, based on the Credit Bureau report. Naturally this rating has a bearing on the time that elapses before the account is referred for individual attention.

In addition to this routine follow-up the collection department has adopted a partial tickler system of its own for special accounts on which there has been a definite promise of payment, or a final extension of time before taking legal action, or repossession, and this consists of a 3" x 5" card carried under the date due.

There is nothing permanent about this tickler card, as it can be destroyed as soon as the payment is made, or put forward for further follow-up. It merely carries the name and address, and reference is then made to the original card. It is an additional check, giving quicker action than the regular weekly running of the accounts.

The disadvantage of our system is that because of an unusual run of work, such as the first of the month, the running of the cards may be delayed, or done hurriedly, and some accounts may not receive the attention they should. Also, some of them need attention oftener than once a week. In addition, if the customer comes in while the follow-up card is in the hands of the collection department, it is often impossible to find the card quickly in order to refer to former promises and explanations of nonpayment.

We would like very much to see other systems explained, as we are extremely anxious to change to a more efficient set-up.

—A. G. EVANS, *Credit Manager, Jenkins Music Company, Kansas City, Missouri.*

"Tickle, If You Don't Let the Tickler Wag the Dog!"

"To tickle or not to tickle?" That appears to be the question asked the Credit Clinic this month. And the answer is, "Tickle, if you don't let the tickler wag the dog." Which will have to be explained later on.

First we will outline as briefly as possible a systematic follow-up which should answer this problem.

Please examine the picture. We have here four trays or controls, each with a capacity of fifteen hundred accounts, making a total of six thousand accounts. You may adjust these figures to fit your own case.

The first tray is run the first week of the month, the second tray the second week, and so on.

Delinquent accounts are followed up in the tickler file two weeks after writing, or after what other action you take.

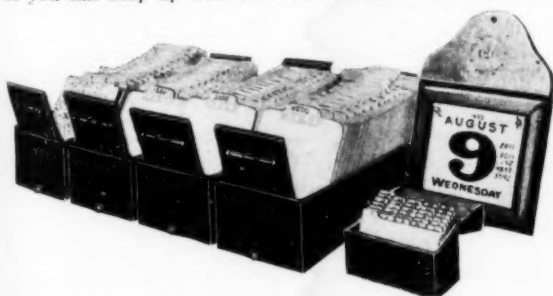
Accounts which you wish to watch carefully are placed in a reserved section of one of the trays, allowing five hundred numbers to this section. This section is run in its regular turn and again two weeks later. No numbers in this section are followed up. Cards may be allocated to this section when the account is opened, if you think they require close observation; or transferred to this section when they become unsatisfactory.

What is the big calendar for? That is the Credit Manager's calendar for special follow-ups. If he is not sure of a new account, and wants to see that it starts right, he writes the account number on the date a few days after a first monthly (or weekly) payment is due. He also follows up special payments or promises in this way.

And now about not letting the tickler wag the dog. Follow up only those accounts that *absolutely* require it. Probably 70 to 80 per cent of the accounts you contact will respond to a request for a payment. Therefore, it is necessary to check up only those you fear will not reply, or who have substantial balances. If you "tickle" too many, the system will become clumsy, and you will not be able to keep up your schedule of a tray a week.

We wouldn't worry too much about catching the account right on the fifteenth or whatever the due date is. Your contract customer knows his bill is due on the fifteenth and is probably doing his best to get the money to you by the twenty-second. Give him a chance! If you continually follow him too closely he will think you are trying to persecute him.

We do not wish to give the impression that we advocate a lackadaisical system. Quite the contrary is true. If you can keep up with this schedule which we have out-



lined you will be doing a good job, and will have a satisfactory collection percentage.

—S. W. GUGGENHEIM, Treasurer, Garson & Wood, Rochester, New York.

"Use Colored Signals - -"

My suggestion would be to number across the top edge of each account card, the days of the month from 1 to 31, inclusive. Then purchase from any office supply house some metal flag tabs, a sufficient quantity to have one of a color for each card. When the account is opened and an account card made and put in the file there should be a tab placed on the date the payment is due. All cards in the file at the present time should be tabbed for their respective due dates.

Each day the bookkeeper can go through the cards and only pay attention to those cards which have a tab in the position of the day of the month which is being worked. For example, on the first day of the month, only those accounts which had a tab on for the first would be looked over to see if payments had been made and so on each day of the month the same procedure would be followed.

If the payment had not been made on the first as agreed, the probabilities are that a notice for the amount delinquent would be mailed the customer or a telephone call made reminding her of the amount due and getting a promise. Then the tab should be taken off of the card in the position of the first day and advanced to the date the promise was made for, or the number of days allowed between written notices. When the payment has been made, then the tab is placed in its original position on the card, to be followed up the next month when due.

Different colored tabs can be used to indicate different stages of delinquency. For example, a green tab may indicate the account is being paid according to agreement. An orange one could indicate "requires written notices." A blue one could indicate "requires telephone calls." A red one could indicate "several notices sent and account several payments in arrears and may repossess."

By using the tabs a great deal of time is saved because the bookkeeper is not required to go over every account in the file to find those which are due for payment on the day she is working them, but only picks out those which are tabbed in the position of the first, second, or third day of the month. The balance of the file will be covered daily according to the tabbed position of the card.

This plan can be used on accounts whether they are filed in numerical or alphabetical order, because the due date and follow-up date are the outstanding points which control the accounts.

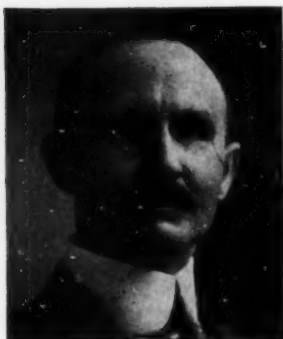
Every credit man is interested in getting the best turn-over possible on the accounts receivable and this can only be done by having the proper follow-up on all accounts. If too much time is spent in selecting those accounts which require attention, it is possible that all accounts will not be given the attention they should have at the proper time during the month, and therefore, slow up collections a great deal.

—DEAN ASHBY, Credit Manager, M. L. Parker Company, Davenport, Iowa.

Next Month's Problem:

One of our department store members recently requested us to ask representative credit men throughout the country: "Which do you prefer—and why—the dual or unit posting system of billing?"

This is a highly controversial subject, so the replies will be published as received, without comment or opinion.—D. J. W.



Equipment for Handling Deferred Accounts

By WILLIAM BROWNE

Credit Manager, C. F. Hovey Company
Boston, Mass.

THE gradual increase in the number of deferred accounts and the increasing number of articles sold on the deferred plan, together with the nature of the business itself, has created new problems. It has placed on the accounting and collection departments of our retail stores, especially department stores, new responsibilities for which they were not well prepared, because no one could foresee the extent that this business would assume.

It has made necessary new systems for handling this new type of account which we will all admit has become a permanent fixture in the retail business.

There seems to be a strong inclination, especially on the part of department stores, to get away from the older methods and systems heretofore in use for the handling of this class of account and yet I was much surprised in making an investigation along these lines recently to find department stores, some of them of generous proportions, still using the old style loose-leaf ledger, and quite a few using a regular Accounts Receivable Ledger, doing the work of posting both cash and merchandise with a regular billing machine.

The general trend, however, at the present time is toward standardization in equipment that is specially designed to meet the needs of the deferred class of accounting.

The National Cash Register Company has produced a machine known as the "Number 2000" which posts either merchandise or cash to the ledger card and pass book at one operation and does the work about as quickly as the amount involved could be rung up on a cash register.

The use of this machine in recording all transactions simultaneously on customer's account book and office records has completely eliminated disputes due to clerical errors in addition and subtraction so prevalent in hand-operated systems.

Coincident with the development of machine accounting equipment, there has also been coming into general

use a new type of ledger card smaller in size than the accounts receivable ledger card and somewhat thicker in texture, and which fits into the workings of the "Number 2000" machine. This card is gradually becoming standardized wherever this particular machine is used. It would seem, therefore, that we have a machine and a ledger card that adequately meets every requirement for deferred account bookkeeping.

If we were considering the accounts of institutions such as banks, hotels, insurance companies where accurate bookkeeping is the important factor, there would be nothing further to say because these two pieces of equipment would cover the whole ground. But for department stores there are other factors to be considered that go beyond the bookkeeping stage.

For instance, the major factor in a deferred account set-up for a department store is the collection of the account. Any method or system that will in any way hinder or retard the process of getting in the money should be given careful consideration before it is adopted. On the other hand, any system or method that will in any way aid the process of collection or that will increase collection efficiency should be carefully considered.

And now, having announced what we consider the major factors, we proceed to decide the other factors which are minor in the light of the greater ones.

What are the other factors?

1. How shall the ledger card be housed? Vertically or visibly?
2. When the method of housing has been decided, how shall the accounts be filed? Strictly alphabetical? strictly numerical? or by commodity? And if by commodity, shall it be by commodity alphabetical or commodity numerical?

These are questions about which there may be considerable difference of opinion.

Let us take up first the *housing of the ledger card*. There are at least four considerations which enter into that decision. These are not all equally important, but

TABLE A—THE INCOMPLETE PICTURE

Factors Entering into Decision of Housing Equipment	Points of Importance				
Economy of Space	10				
Ease of Finding	20				
Facility of Returning to Place	10				
Collection Results	60				
Total	100				

they are all of some degree of importance and are as follows:

1. The first is the matter of *economy of space*. That is to say, we have a ledger card. It must be housed somewhere and in making that decision, which method of housing is the most economical? In all offices, space is an item to be considered. How important is it? Supposing we say that out of a hundred points in making a housing decision, we assign ten points of importance to space.
2. The second consideration is *ease of finding*. In other words, whatever system of housing is used, the card must be found when wanted. This is more important than space because there may be a waiting customer and method of housing will have some bearing on *ease of finding*. We therefore assign twenty points of importance to this item.
3. Whenever a card is taken from its housing headquarters, it must be returned to place or re-filed. *Facility of returning to place* is an item, therefore, to be considered on the basis of its importance because it may be an easy matter to get a card out of file and not so easy to get it back. We assign to this consideration ten points of importance in arriving at a housing decision.
4. This brings us to our major factor: *Collection results*. On the question of importance this must be given first place. Whatever system of housing is adopted, this factor must be taken into consideration. Its importance cannot be overestimated. We therefore assign sixty points of importance to *Collection Results*. So we get the picture shown in "Table A."

Having considered some of the items of importance entering into the choice of housing equipment, let us now consider each of the *two* systems in more or less general use so that we will be in a position to appraise them also on a percentage basis on their merits in the light of the major factor and so complete the picture shown above.

Editor's Note

This article submitted in answer to this month's "Credit Clinic" problem, was taken from a paper read by Mr. Browne before a convention of the Comptrollers and Credit Managers of the Hahn Stores, Incorporated.

While it specifically mentions department store problems, it can be applied, just as aptly, to any store selling on deferred payments.

—D. J. W.

The "Vertical" system of housing ledger cards is known to everybody and is perhaps more in use than the "Visible." The cards are housed either in a tray or sunken desk. The "Visible" system of housing consists of a stack of drawers which pull out and drop down. Each drawer shows fifty cards visible at once, and there being twenty drawers in a stack, each stack contains one thousand cards. These stacks are set on a pedestal which can be easily wheeled into a vault at night.

In "Vertical" housing, it will be necessary to have an auxiliary set of cards on which to record dunning information. In the "Visible" system this is not necessary. There is an insert opposite the card in the receptacle into which it fits with ample space for all collection data. This insert can be used also on the reverse side.

In the use of the "Visible" system, everything is in one place—there is no other place to look. All the information necessary for the handling of the account, after it is set up, is centralized with the use of the visible system of signals. It is no longer necessary to examine every card in order to make the dun and in advanced dunning by the use of special signals set to one side, the executive can examine the older accounts with the minimum expenditure of time without going through the complete set of cards in the file. The collection clerk sets the signal. It is a saving of executive time against clerical time.

The signal system referred to above consists of a set of colored signals—blue, green, pink, purple, brown. The first four represent the four current months, changing at the end of that period to the four subsequent months. When a signal is set if it is not paid when the dunning date comes around, the dunning clerk removes the colored signal and replaces it with a black one.

Nothing can remove the black signal except a payment bringing the account up to date, then a new signal indicating the next payment month is inserted. If no payment is made, the black signal remains and as soon as it enters the third month, a brown signal is placed on the card at the extreme right margin. This releases the routine dunning from further action on this account which from that time on becomes the responsibility of the special collection clerk or executive in charge.

The colored signals are set on the card opposite the due date on an insert similar to those illustrated below.

When the dunning clerk draws the tray, she is interested only in the signal for that month perpendicularly in line with the current date. If there are fifty accounts on the tray, she may have to examine perhaps two or three in order to know what to dun, and as there are twenty trays in a stack it is possible to do the routine dunning without having to handle each individual card in the tray.

The "Visible" system lends itself to rapid dunning. It speeds up collections. It is compact. There is no wasted effort. Everything to be known about the account is found beside the ledger card. There is only one place to look and then you handle only the card that needs collection attention. Every operation is reduced to the minimum.

Let us consider next the *method* of filing: Alphabetical, numerical or by commodity.

ACCOUNT NO.						NAME												ADDRESS																		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31		A	B	C		
ACCOUNT NO.						NAME												ADDRESS																		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31		A	B	C		

All of these methods are in use in the larger department stores. Each store has its own particular reason for the use of its method. A number of stores still file their ledger cards strictly alphabetical; others strictly numerical; but a majority, I feel sure, lean toward the *commodity-numerical* method.

I should say that the most accepted way to file would be to arrange each commodity under a separate control and then file them in numerical order. This system is considered superior to either strictly alphabetical or strictly numerical, for several reasons:

If you have leased departments in your store such as Radios, Sewing Machines, or Washing Machines, as many stores have, you get a better control of these accounts and you will know at all times the amount of investment in each commodity. Again, the *commodity-numerical* method of filing lends itself much more easily to *commodity-aging* than either of the other two methods because the lowest numbers will necessarily represent the older accounts; and as *deferred accounts* increase, *commodity aging* will be more and more resorted to in order to keep the ratios of delinquency within control.

We have now considered the various phases of *deferred account* handling. We proceed to evaluate the various factors to be considered on a percentage basis for the purpose of arriving at a conclusion on the relation of each of these factors to each other with particular reference to their bearing on the major factor, namely the *Collection of the Account*.

The reason for the percentages given above follow:

Sixty per cent of the 10 points of importance given to "economy of space" is conceded to "Vertical Housing" for the reason that *vertical housing* actually occupies less space.

Under the heading "Ease of Finding" we concede 50 per cent each to "Vertical" and "Visible" for the 20 points allotted to that factor for the reason that the difference is so slight that the superiority of one system over another under this factor is about the same.

But when we come to the "Facility of Returning to Place" we claim 70 per cent of the 10 points allotted to this factor for "Visible" and 30 per cent for "Vertical" for the reason that the time consumed is actually less in refiling to "Visible" and the additional reason that the risks of misfiling under "Visible" are almost negligible.

Similarly, we claim for "Collection Results" 75 per cent for "Visible" as against 25 per cent for "Vertical" because of the superiority of "Visible" over "Vertical" for collection purposes.

The conclusion of this paper is, therefore, as follows:

1. Recommendation of the "Number 2000" Machine for bookkeeping.
2. The use of the standard size ledger card for office records.

3. The adoption of *visible housing*, together with *commodity-numerical* filing because of the distinct advantages and contributions which their adoption will make to the success of the major factor: *The Collection of the Account*.

» » »

The Unchanging Principle In Credit Granting

(Continued from page 14.)

spondence with reference to his indebtedness. This is a plausible and logical attitude to take, provided the credit has been properly extended on fundamentals already referred to.

This does not mean that it is time for us to placidly fold our hands and wait for the account to be paid. Indeed not. In fact, we cannot take "No" for an answer to our request for payment. Diligent effort is required, coupled with patience and perseverance.

However, so much more is to be gained, if we demonstrate to the debtor that we are working with him. It stands to reason that his reaction will be much more favorable toward the credit manager who expresses confidence in him, rather than the one who plainly shows that he distrusts him.

So let us not become panicky, nor waste time worrying about the increased charge-off, but let us do the work at hand with more moral courage, for the granting of credit is based upon an unchanging principle, not upon shifting sands. President Roosevelt put it so aptly when he declared that the present condition was brought about by the fear of fear itself!

Let each one of us do our share by replacing this fear with confidence, and although we may encounter many snags, through diligent and tireless effort we shall be able to maintain our poise. Your position (and mine) is one of trust, and of more importance in business today than ever before, so instead of brooding over our difficulties, let us profit by each experience that we may encounter.

HOW TO COLLECT INSTALLMENT ACCOUNTS

By Samuel W. Guggenheim

How to open the account, keep regular payments coming, force the reluctant payer, locate skips and collect to the last dollar. Letters, forms, and the valuable counsel of an experienced credit man. See review, page 10, this issue. 70 pages, cloth bound. Send \$2.00 to Dept. W, The Credit Press, 111 S. Clinton St., Rochester, N. Y.

TABLE B—THE COMPLETE PICTURE

Factors Entering into Decision of Housing Equipment	Points of Importance	Commodity		Numerical	
		Visible	Per Cent	Vertical	Per Cent
Economy of Space	10	40	4	60	6
Ease of Finding	20	50	10	50	10
Facility of Returning to Place	10	70	7	30	3
Collection Results	60	75	45	25	15
Total	100		66		34

THE PRESIDENT'S MESSAGE

ARTHUR P. LOVETT

President National Retail Credit Association



Annual Meeting of Officers and Directors

YOUR officers and directors met in St. Louis and put in two days' hard work on the business of the National. It was a very wonderful meeting. All of the bureaus that paid the expenses of their directors deserve a vote of thanks from all the members of our national organization. This was *real* cooperation!

When we have such cooperation as this our National Association cannot fail. I would like to thank every association personally, but as that is impossible, I would like to use this medium to thank each and every one that had anything to do with this spirit of cooperation. I also want to thank, through the pages of our CREDIT WORLD, all of the Officers, Directors and Service Department Men who gave of their time to attend this meeting.

Several serious matters were brought up and were given serious thought and deliberation. One of these issues was the suit of the government against our Association. Our officers and directors voted that our counsel, Mr. Lawrence McDaniel, be given instructions to defend us when this case comes up in the September term of court in St. Louis.

The thought that we have done nothing wrong was paramount with all our men at this meeting and the Department of Justice officials were given all the information that our National Office had to give.

In fact, we have never done anything that we have to hide and so we have nothing to fear. If there is anything wrong with our set-up we shall be only too glad to correct this if it is in our power to do so.

Business conditions all over the country are improving but we should be careful that we do not let down the bars on credit. The depression has taught us all a bitter lesson, so let us profit by it and get our credit reports when in doubt.

I know that all employers want to keep down their credit department expenses but don't let's be

penny-wise and pound-foolish. Our credit executives can do a great deal to prevent a repetition of the conditions just past by preventing the selling force from overselling the customer.

However, I believe that our people are still 98 per cent honest and will take care of their obligations if given time. Credit executives can do a splendid work of credit education now and keep many debtors out of the bankruptcy court.

LET'S KEEP FAITH WITH OUR FELLOW-MEN.

» » »

Mobile Association Enrolls Twenty-Three National Members in Sixty Days!

During the past sixty days, Mr. W. H. Jernigan, Secretary-Treasurer of the Associated Retail Credit Men of Mobile has enrolled twenty-three members in the National Association. Always a loyal worker in the cause of better credit conditions and an ardent supporter of the National Association, Mr. Jernigan deserves especial credit for his membership activities.

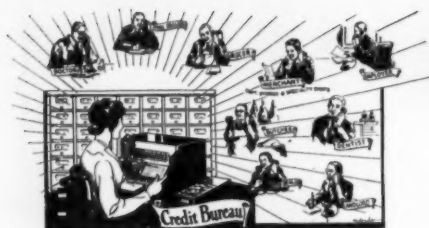
The Mobile Association has recently been reorganized with the following officers and directors:

President, Kenneth W. Reed, Mobile Paint Mfg. Co. First Vice-President, Chas. W. Collins, L. Hammel's. Second Vice-President, R. W. McAleer, Alabama Power Co. Secretary-Treasurer, W. H. Jernigan, Merchants Credit Assn.

Directors: W. E. Fulton, Jr., Albright & Wood; Mrs. S. A. Godbold, The Style Shop; E. W. Long, Fidelity Securities Corporation; John J. Mason, Morgan Plan Co.; A. D. Murdock, Sears Roebuck & Co.; Mrs. Margaret Sands, Reiss Mercantile Co.; H. G. Schiff, National Furniture Stores; Francis A. Terrell, Alabama Power Co.; H. M. Thames, Cowan Lumber Co.

"We are getting along splendidly," writes Mr. Jernigan, "and the organization is quite active. We recently had a meeting which we called 'Bosses' Night,' at which we had more than one hundred present.

"At our annual meeting last month—in the form of a chicken supper and dance held on Mobile Bay—we had 120 present. Interest is growing all along and I believe that the organization will grow materially and prove to be of great value—in local credit circles and in assistance to the National."



Bright Bits from Bureau Bulletins

Pertinent Paragraphs Taken from the Hundreds of Weekly
Bulletins Published by Our Affiliated Credit Bureaus

Use Your Credit Bureau Service for Both Protection and Promotion of Your Business

The other day I was talking to a former resident of York who is now in business in a much smaller town. We had talked about the weather, crops, prices and the "New Deal" when suddenly he said, "You know, the merchants of York could give themselves a new deal and eliminate every deadbeat from their books."

This was right up my alley so I said, "How?"

"Well, they could use your bureau to list all their accounts, good and bad, and by calling upon every new charge account they opened they would catch the fellows who owed a lot of other stores. If the record wasn't O. K. they would refuse to open an account.

"Then they could have regular meetings and talk over special people and they could help a lot of slow pay people to become good customers. Anyway it would keep the fellows who are bad risks from getting any more credit and help the stores to collect the old accounts. All it takes is a little co-operation."

Yes, it is as easy as that! And how right this man was in his ideas of credit control.

—The Credit Bureau, York, Neb.

» » »

Don't Gamble With Credit

In my mail, I notice this phrase—"Gambling is the same whether you do it in your spare time with dice or during business hours with poor business practices."

Granting credit today without first knowing your applicants' paying habits is gambling with your credits—don't do it. Call for a credit report first. Don't gamble—don't guess. Get the facts.

—Associated Retail Credit Men and Credit Bureau of St. Louis.

» » »

Concealed Riches and Benefits

A credit bureau properly organized and well known has an invisible and potent influence akin to that of a newspaper or police force. The known fact that such exist and exercise powerful influences, deters many from committing overt acts.

The credit bureau in Dayton has been in existence over forty years. It is well and extensively known to the people of the city and community and the people are acquainted with its function and purpose of gathering and disseminating data among those entitled to possess it.

The credit bureau occupies regular space weekly in the newspapers, it writes sensible and convincing letters to tardy credit buyers and its name and operations frequently form subject of news items in the papers.

All the foregoing has effect and for your good. You can increase its power and publicity advantageously.

Prominently display your membership sign, use the name of the credit bureau in your collection letters. Shoulder off onto it all "turn downs" without giving details, but saying, "According to the report we have from the credit bureau, we cannot open the account at this time. We feel that there is something amiss, and we recommend that you call there to have it set aright."

—The Credit Bureau of Dayton, Ohio.

» » »

Profits Are Lost Through Fear

You are in business for one thing—profit. Don't forget that. Yet you lose plenty of that profit through fear of losing a customer. "Customer fear" leads you to be too easy in collecting your accounts.

You need to buckle up your belt and collect closely from the time the account is opened by having a thorough and definite understanding with each new customer. Have him know that it is his duty to pay on the due date or come to you in person and explain why payment cannot be made.

This very act will bring better volume from the number of accounts on your books. And it will boost the profits on the volume you now handle.

Profits come from accounts collected—not from amounts to be collected.

—Monongahela Credit Assn., Inc., Morgantown, West Virginia.

» » »

Get the Dealer's Name, Please

When a credit applicant gives a finance company as a reference, please try to secure the name of the dealer who sold the car to applicant.

The reason—finance companies keep their accounts under the dealer's name, not alphabetically.

—The Credit Bureau, Inc., Pittsburgh, Pa.

» » »

The Cost of Bankruptcy

Last year the administration cost of bankruptcy cases took 21.83 per cent of the amount realized. The net amount actually realized for creditors was five cents on each dollar.

Let's hope that the new changes that have been drafted in the present bankruptcy law will save merchants and professional concerns millions of dollars.

During the process of readjustment there are thousands of firms and individuals who should not be "taken through the wringer" in order to comply with the law regarding an equal distribution of assets among all creditors. They are deserving of a better method of liquidation—but MOST OF ALL are the creditors.

—La Porte (Ind.) Credit Association.

Not the System—But Its Abuse

Modern business, conducted on lines more or less scientific because based upon successful practice and experience, has proved that a successful business can be built on a sound credit policy.

A bad debt loss is either the result of:

1. Personal inaptitude of retailer for handling credit business.
2. Lack of proper knowledge or care in extending credit.
3. Lack of proper system or control of account after opened.
4. A gambling instinct which bets the apparent advantage of volume against lack of security.

Securing an increased volume of sales by indiscriminate credit granting is frequently ruinous. Any retailer who embarks on it because he hopes thereby to beat his competition is making a fatal mistake and the wholesaler who is impressed to the extent of financing a retailer by a continuing growing account balance rides to a fall with him.

—Olmstead County Business Men's Assn., Rochester, Minn.

» » »

Weekly Survey Shows Credit Applicants With Three or More Past-Due Balances

Are you following our weekly survey listing all applicants who apply for credit owing three or more past-due balances? This week's (June 23, 1933) issue indicates that we have been conducting this survey for 152 days, showing that 653 people have applied for credit owing a total of 2,807 past-due accounts or \$178,912.38.

This should indicate clearly to every merchant or business man in the city of Altoona the necessity of obtaining credit reports on every applicant before extending credit. I also might suggest that it would be to the advantage of every merchant, at the present time, to obtain a complete new credit report on every customer he now has on his books.

In the next few months we are going to see a great change in the credit structure of the country, and the merchants or business men who extend credit cautiously will be the winners in this battle.

—Blair County Credit Bureau, Altoona, Pa.

No Collateral and No Interest

A merchant catering to a better class of trade once approached one of his "customers of years" and said:

"I'd like to borrow \$1,000.00, and I don't want to put up any collateral and I don't want to pay any interest."

"Why, man!" said the customer, who was also a big business man, "you must be crazy. You can't do business that way."

"Just what I thought!" snapped the merchant, as he handed the customer his own bill for \$700.00, ten months past due.

—Kansas City (Mo.) Bulletin.

» » »

Value Depends on Use

An excellent dinner cannot be thoroughly enjoyed by merely looking at it. An automobile cannot be appreciated unless you ride in it. A radio is not so much appreciated as an ornament to the home as it is as an instrument of musical enjoyment. A brass band is the most useless thing in the world unless it is played.

Just so, the Credit Bureau is of little value unless you use it. Service cannot be given unless the opportunity is provided. Again we say, give us the opportunity of furnishing you with a report on each applicant for credit. Always get a report first—charge afterwards!

—Grand Rapids Commercial Reporter. (An eight-page, well-printed weekly, published by the Grand Rapids, Mich., Merchants Service Bureau.)

» » »

If You Could Spend a Day in Your Credit Bureau - -

If you could spend a day in this office and see the number of frauds and misrepresentations uncovered in investigating credit applicants, you would not open a single account without a proper application, a complete bureau report, and careful analysis of that report. Many avoidable losses are taken by members who conclude that because the association has nothing against an applicant, he must be all right. Remember, he may be hiding a bad record by falsifying his application.

—Burbank (Calif.) Merchants Assn.

RESULTS OF ALTOONA (PA.) WEEKLY CHECK-UP ON CREDIT APPLICANTS

				152 Days				
6-12-33 -	6	applied	who owed	21	past due	balances totaling		\$ 2,277.82
6-13-33 -	7	"	"	28	"	"	"	1,908.07
6-14-33 -	3	"	"	13	"	"	"	1,534.90
6-15-33 -	7	"	"	35	"	"	"	746.60
6-16-33 -	8	"	"	28	"	"	"	2,743.87
6-17-33 -	2	"	"	18	"	"	"	1,593.69
TOTAL	33			143				10,804.95
	653			2,664				168,107.43
GRAND	686			2,807				\$178,912.38
TOTAL								

Writing Collection Letters to Fit Today's Conditions

THAT the upset in banking facilities, the closing of thousands of banks and the recent "bank holiday" have brought new credit and collection problems is not news to credit and collection managers. As one subscriber wrote us recently: "I never was in such a quandary since I have been a credit manager!"

The credit fraternity has been remarkably lenient with harassed and embarrassed customers and their policy of kindness and patience in these troublous times is bound to result in a lot of good will. Now they are faced with the problem of gradually "taking up the slack" and getting collections back on a normal basis, without applying the "iron hand."

Many normally "prompt pay" customers are still suffering from the effects of the bank failures. Many still have all their surplus funds tied up in banks which haven't opened—which may never open. That's one problem—a real one. On the other hand, there are probably many other customers who could pay but who are taking advantage of the situation. That's another problem.

And you have no way of telling which is which—of separating the sheep from the goats! So your letters must appeal to the innate fairness of human beings—must get them to agree with you that the world is going to keep on going around—that you have your bills to meet too—that we all have to do our best and work together in mutual helpfulness—that if they can't pay all of your bill at one time, at least they can show the right spirit by making some arrangement to pay part of it and keep on making payments until it's all cleaned up.

Above all, they must be courteous and diplomatic. Don't destroy the good will you have created during the past few months by suddenly losing your patience and "hitting the customer over the head" with a harsh letter demanding immediate settlement.

I know of several instances where customers have told me of having received "hard-boiled" letters, usually following up the story with this comment: "I wrote them to close my account and I would pay it up when I could."

Of course, you can say to yourself: "This man owes this money. He's worn out my patience." And you can, in righteous indignation, dictate a letter that will make his cheeks look feverish all through next winter but—

Don't do it! Cool off! Remember—you are the store—*your letter* is the store's letter—in the eyes of the average customer. And he doesn't vent his hurt feelings and his resentment against you *but against the store*.

And, worst of all, he'll feel justified in using that as a defense or alibi for not paying your account for another six or eight months, if at all. Unreasonable? Of course! But, either way you lose. And meanwhile, he'll take his patronage (and possibly that of his friends) elsewhere. You lose again.

If you must write such a letter, go ahead—get it out of your system—then tear it up. And—misquoting the prophets—thy years in thy job shall be lengthened.

Customers are just human beings—with human frailties and human sensibilities—responsive, most of them, to human appeals. Try to put yourself in the customer's place—with his troubles, real and imaginary—then write the sort of letter you think would get your check and your future friendship and patronage.

On the other hand—don't let your follow-up slacken. Beware of letting an "Oh, what's-the-use?" defeatist attitude creep in on you. Keep at your old accounts. Don't let the other fellow beat you to it. "First come—

BETTER LETTERS SERVICE
NATIONAL RETAIL CREDIT ASSOCIATION
--MODEL LETTER # 295--

LETTER TO NEW ACCOUNT--
ENCLOSING FIRST STATEMENT

July 25, 1933.

Dear Mr. and Mrs. Blank:

Sending our first statement, for purchases made on your account during July, gives us a welcome opportunity to express our sincere appreciation for your patronage.

According to our agreement, this account is due on the first of August. Payment by the tenth will automatically place your name on our Honor Roll of "Prompt Pay" customers.

That you may find pleasure and satisfaction in all your dealings with us and that we may have the privilege of serving you for years to come, is our sincere wish.

Cordially yours,

Credit Manager.

first served," is a good motto for collection letter writers to remember.

And this was never truer than today. For, today, most customers—let's be honest about it—haven't enough money to go around. That's the reason many of them are classed as delinquent customers. They pay the most insistent creditors—or the ones who get there first—the rest get left.

Now, more than ever, it is necessary to have a definite policy for the handling of new accounts. The old accounts discussed above are already on the books so you must deal with them as best you can. But with new accounts, you can be the master.

Whether they pay according to terms is up to you. If they don't your policy of opening accounts or your collection policy, one or the other is at fault. "An account properly opened is half collected" is an adage familiar to credit men. I'd like to add a new one: "An account worth opening is worth the cost of a credit report." Because an account can't be properly opened if you haven't all the information available about the applicant.

With the account properly opened, the next step is a prompt collection policy. "Promptness begets promptness." If, as you should, you have a definite understanding with the customer that your bills are due on the first of the month and payable not later than the tenth, it's up to you to see that your first bill is paid accordingly.

If you can start the new customer off on that basis, most of your collection troubles can be eliminated. The customer will pay you promptly because it is understood that you are going to insist on prompt payment. If, on the other hand, you as many of the retail stores seem to be, are squeamish about bringing up the subject before the account is a month overdue, many of your new accounts will take advantage of that fact.

Don't overlook the fact that news of your policies and how you handle collections travels from customer to customer. Mrs. Blank tells her sister, "Oh, I can't come over today. I'm going downtown and I want to pay my account at the Fair." And her sister says, "Come on! That can wait. Why, you big silly, they don't even send you a reminder on an account the first month." So another delinquent account is started—another good intention nipped in the bud. And the next month she has a two-month bill facing her so she sends you part of it—and your troubles begin.

Start right. Have all "new account" statements sent to you before they are mailed. Then send, with each one, a friendly letter reminding the customer, in a nice roundabout way that you expect it to be paid according to your understanding.

POSITION WANTED

Wanted: Position as accountant, credit-collection manager. Several years' experience. Southern territory preferred. Address J.W.F. c/o "The Credit World."

See Model Letter #295—this issue. Letter #296 is planned for a follow-up after the first letter and statement (on accounts which do not respond according to terms). Letters #297, 298 and 299 are for use on old accounts and Letter #300 is a special letter for use on contract accounts.

» » »

(Editor's Note: This is a reprint of the lead article in the July issue of the "Better Letters Service." The six letters accompanying this article—in the service—were especially written to enable the user to pick up the loose ends of collections caused by the banking holiday and bank closings.)

» » »

A Standard "Guarantee of Account" Form Now Available

The Forms and Systems Department has made up a quantity of the Standard Guarantee of Account Form approved by the National Retail Credit Association and can furnish these to members for \$1.00 per hundred.

Samples of this form will be gladly sent to any member interested. Address the Forms and Systems Department, National Retail Credit Association, St. Louis, Mo.

Collection Letters - - Business-Building Letters - - Inactive Account Letters - -

A monthly service, now in its seventh year, consisting of:

1. Each month a four-page Better Letters Bulletin—four pages of constructive letter ideas for better and quicker collections, for developing new charge accounts, for stimulating present charge accounts and reviving inactive ones.
2. Each month, copy for (a) one new letter to solicit new charge accounts and (b) one new letter to revive inactive accounts.
3. Every three months, copy for six new collection letters—letters that will bring you new ideas on collections.

SPECIAL TRIAL OFFER:

The Better Letters Service
Six Months—Including the July
Issue—for \$7.50

**NATIONAL RETAIL
CREDIT ASSOCIATION**
1218 OLIVE ST. ST. LOUIS



WASHINGTON BULLETIN



R. PRESTON SHEALEY

Washington Counsel, National Retail Credit Association

FOREWORD

WAR-TIME Washington is being reenacted all over again. Hotel lobbies are active in contrast with the lonesomeness of midsummer Washington when Congress is not in session. With the activity is rapidly coming effective organization in the peace-time war on depression and through this organization it is now beginning to be apparent that the first objective of the Industrial Recovery Act is reduction in the hours of labor and the increase in wages; the two combined to increase retail consumption which has been lagging. Codes are playing their part in this program.

Prominent among General Johnston's assistants are Generals C. C. Williams and Thos. S. Hammond, Mr. A. B. Dickinson, and Mr. A. D. Whiteside, the latter especially well known to credit granters as the president of R. G. Dun-Bradstreets, Inc.

The public works program is rapidly improving its organization set-up and will function along the line of loans for public works to states, municipalities, counties and other agencies of a public nature which, through the exercise of taxing powers, will be enabled to repay these loans.

The active administrative head of the Public Works Administration is Colonel Henry W. Waite, of Toledo, Ohio, a grandson of the late Morrison R. Waite, Chief Justice of the United States Supreme Court by appointment from President Grant. Colonel Waite is an engineer of experience and served in France during the World War.

Exercising a general supervision over the Public Works Administration is a board, the head of which is Colonel F. A. Delano, former member of the Federal Reserve Board, and railroad president and engineer, who, like Colonel Waite, also served in France.

Legislative

A New Bankruptcy Investigation

Chairman Sumners of the House Judiciary Committee has appointed two subcommittees to start the bankruptcy investigation—the chairmen being Representative Emanuel Celler of New York and Representative Tom McKeown of Oklahoma. Mr. Celler's subcommittees will conduct the first investigation, which is expected to commence in New York City the third week in August and the groundwork for which has already been laid.

Representative McKeown's subcommittee is expected to commence its investigation in Chicago at or near the completion of the New York work and, thereafter, the work of the investigation will proceed as developments necessitate.

The feeling in Washington is that retailers will have to fight hard to get recognition in a general bankruptcy revision bill, notwithstanding the fact that the Boston bankruptcy consumer survey shows the necessity for adequate discharge amendments. The field work for the Chicago study has been finished and is now being tabulated at the Department of Commerce. It should be released in pamphlet form within the next ninety days.

Studies in Double Taxation

Duplication as between Federal and State taxation has been the subject of an investigation by a subcommittee of the House Ways and Means Committee for nearly a year and shortly after Congress adjourned, a subcommittee of the Senate Finance Committee commenced a similar study.

With prospects that the Eighteenth Amendment will be repealed before convening of the regular session in the winter, it is expected that these two committees will also give some attention to possible taxes on alcoholic beverages in addition to the beer tax now prevailing. Both of these subcommittees are expected to resume hearings in early October.

The personnel of the subcommittees is as follows: Senate Finance subcommittee: Senators King, Utah; Barkley, Ky.; Byrd, Va.; Reed, Pa.; and La Follette, Wis. House Ways and Means subcommittee: Representatives Hill, Washington; Cullen, N. Y.; Vinson, Ky.; Cooper, Tenn.; Treadway, Mass.; Crowther, N. Y.; and Frear, Wisconsin.

Departmental

Postal Rates Again Under Scrutiny

Post Office officials seem to think that the depression has had more to do with the falling off of revenue than the increase in first-class mail, effective July of last year, and that as general business conditions seem to have commenced improving in April of this year the increase in use of first-class mail has kept step with that improvement.

In this respect department officials differ with some of the postal experts in the House of Representatives. A careful check-up is being conducted as to the effect of the new legislation reducing (as of July 1, 1933) the rate from 3 cents to 2 cents on local delivery first-class mail.

We are advised that definite results as to this check-up will be known and will be made public early in September. As will be recalled, the President has power

(Continued on page 32.)

Collection Possibilities of the Application Blank

By E. A. STRANQUIST

Manager, J. T. Ross and Associates (formerly St. Louis Retailers'
Collection Service), St. Louis, Mo.

AFTER seven years as active head of the St. Louis Retailers' Collection Service, I feel somewhat competent to pass on the value of various credit applications, as taken by the credit granter, when said application is to be considered in the collection of the claim.

There are two kinds of credit applications—the right and the wrong. The wrong kind is of no use whatever to the collection manager. It consists simply of the name and address of the debtor—perhaps it has the first initial and place of employment. You are fortunate if it has, for example: "J. Smith, 4118 Blank Ave., City; employed Blank Stove Works, six months."

This particular account becomes delinquent and is sent to the Collection Bureau. The debtor has moved, his name is not listed in the city directory and the creditor cannot give any more information. In a large city, it would be nothing short of a miracle if this debtor were ever located. You can readily see just how hopeless an account like this becomes.

On the other hand, the credit granter, who spends more time with the applicant at the start and gets full information, will have a larger collection percentage on his delinquent claims which he has turned over for collection.

An application which is helpful to the collection manager, should contain the following information: Full name of husband and wife; present and former addresses; business connections or place of employment; the names and addresses of parents of both husband and wife; at least two personal and two or more business references.

All this information may sound superfluous to the busy credit granter at the time, but it will pay big dividends in the end.

If such an account comes for collection and is a "skip," the chances to locate him are materially increased over the first kind of application. We have also found from past experience that the percentage of collections are greater on the ones with full information and this is what we are all vitally interested in.

Our past experience has also shown that the majority of delinquent claims sent our office for collection are sadly lacking in helpful information which should have been obtained at the time the original application for credit was taken by the credit granter.

This lack of information may be due to one of two reasons: Either a lack of time or a lack of understanding

on the part of the credit granter. We believe that there are many executives who still do not realize the importance of the credit department and that the office of the credit manager is just as important as any other office in their organizations.

In closing, let us say that this article is offered as *constructive criticism*, and if it will produce more helpful information for the collection manager, it will have served its purpose.

Form No. R23 REQUEST FOR CHARGE ACCOMMODATIONS

Date _____ with _____ Serial No. _____

a member of
The Credit Association
This form adopted and used by all members.

NAME _____ Married _____
Single _____
Widow _____
Dependent _____
Wife's Name _____ Age _____
Salary \$ _____
Phone No. _____

Res. Address _____ How long _____

Own _____ Room _____ Fur. Apt. _____ Rent from _____
Former Address _____ Address _____
Business _____ How long _____
Employed by _____
Lodge or Union _____

Buying on Installments

Home _____ Furniture _____ Auto _____ Musical _____ Other _____

REFERENCES

Bank _____ Cl. Acct. Sig. _____
Savings Acct. _____

Mercantile _____

Personal _____
or _____
Relative _____

Insurance with _____

Others authorized to buy _____

The above information is given for the purpose of obtaining credit from time to time and shall be regarded as true and correct. Accounts to be settled in full each month or as otherwise agreed.

Signature _____

Standard Application Blank (Form R23) which can be obtained from the Forms and Systems Department of the National Retail Credit Association.

A Three-Way "Pay Promptly" Tie-Up With the National Recovery Drive

A NEW "Pay Promptly" advertisement for use in the newspapers—an insert to be used as an enclosure with letters and statements—a new collection sticker—all based on the "WE DO OUR PART" slogan of the N. R. A.

These have been developed at considerable expense by your National Office for the use of our members *who are also members of the N. R. A.*

Read the newspaper ad—reproduced on the opposite page. Notice the direct tie-up with the "We Do Our Part" slogan—how it puts it up to those who owe you money to *do their part*.

Every local credit association throughout the country should run this ad—as quickly as possible—and capitalize their membership in and cooperation with the N. R. A. program.



Retailers of the nation have volunteered in the President's drive against unemployment and want—enthusiastically pledging their support of the N. R. A. program.

To fulfill their pledges—they need the buying and paying support of every customer.

Let's all do our part! Let's pay up our bills now and use our credit to buy the things we've been putting off—too long.

That's the quickest way to relieve unemployment!

**National Retail Credit
Association**

Executive Offices



St. Louis, Mo.

And, for a complete tie-up—and for better collections—every member should use the insert and sticker on all delinquent accounts.

(Note: N. R. A. has granted us specific permission for reproduction of the N. R. A. emblem in the illustration.)

The Newspaper Advertisement:

Mats are being prepared in two standard sizes:

4 col. × 170 lines (8" × 12") \$3.00 each

3 col. × 125 lines (6" × 9") 2.50 each

Can also be furnished in larger size, if desired: 6 col. × 250 lines—12" × 18"—practically a full page with the advantage of having reading matter all around it and costing less for space. Price on this mat, \$4.00 each.

These prices are based on actual cost of artwork, copy, engravings, mechanical costs, handling and postage.

Note carefully: The ad at the right is made up for an 8" × 12" space and will be furnished to you with an all-around border that size. It is shown here without the border because of size limitation of The CREDIT WORLD page.

The Insert (Left):

Size 3 1/8" × 6" (exact size shown by dotted line) printed in two colors—red and blue—on white paper. Price, \$2.50 a thousand. *Special prices on large lots with local association imprint.*

The Sticker (Below):

Exact size as shown below (1 7/8" × 2 1/4"), in two colors, red and blue, on white gummed paper. Price, \$2.00 per thousand, postpaid. *(Note: The heavy border will be in red—the illustration in red and blue—headline in red—text in blue.)*

Sold Only to Members of the N. R. A.

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LET'S ALL DO OUR PART!

THE retailers of the nation have volunteered in the President's war against depression--- have enthusiastically pledged their support of the N.R.A. program.

To fulfill their pledges--- to go "over the top" in the drive against unemployment, misery and want--- they must have the buying and paying support of every customer.

"We do our part" is not enough. Let's **ALL** do our part! And prompt payment--- on your part--- will help them do their part!

If you owe a bill--- **PAY IT NOW!**

If you can't pay it all--- pay part of it. **DO YOUR PART** by your creditors and **THEY WILL DO THEIR PART.**

For, every cent you pay will go back into circulation immediately: To buy more merchandise--- to pay more salaries-- to more employees!

Let's all do our part! Let's pay up our old bills now and use our credit to buy the things we actually need but have been doing without.

Use your credit--- don't hoard it--- and pay all bills by the 10th or as agreed.



THIS SPACE FOR LOCAL ASSOCIATION IMPRINT

Local Affiliation of the
NATIONAL RETAIL CREDIT ASSOCIATION



Washington Bulletin

(Continued from page 28.)

to modify this reduction provision for a period of one year ending June 30, 1934, but not to lower the rate below 2 cents.

Drug Store Study Released by Census Bureau

A recent report released by the Bureau of the Census reveals that a total of 48,954 drug stores out of the United States total of 58,258 stores reported data covering their credit activities. These 48,954 stores are included in a detailed analysis in which they are classified according to the degree of credit business.

Slightly more than 54 per cent reported that they were selling entirely for cash and the remaining 46 per cent reported that they sell on credit as well as for cash. However, credit represents a relatively insignificant part of the total sales, amounting to only 9 per cent.

The report also contains some pertinent information on the cost of conducting a drug store business. The average expense ratio of drug stores, including both chains and independents, was found to be \$27.11 per \$100 of sales for the entire United States.

Of this amount, pay roll was \$15.85 and rent averaged \$5.65. The balance includes advertising, supplies, taxes, heat, etc. Copies of this publication may be obtained at a price of 5 cents, from the Superintendent of Documents, Washington, D. C.

Court Decisions

"Chance" or Premium Sales in Question

In a petition for a writ of certiorari presented on behalf of the Federal Trade Commission and docketed in the Supreme Court, June 21, 1933, that Court is asked to decide several sales questions. In this case, *Federal Trade Commission v. Keppel*, the manufacturer of penny candy, sold "chance" candies to retailers through a method by which the consumer would have a chance to win a prize or premium.

The Commission held that this was unfair competition but the Circuit Court of Appeals for the Third Circuit, ruled against the Commission and that body is now asking that the Supreme Court review the case. The petition raises in a general way, the question of whether such sales plan is an unfair method of competition. Apparently the plan did not involve deception, fraud, nor bad faith affecting competitors, retailers, or consumers.

Recovery of Assets by Trustee in Bankruptcy

Conditions under which a trustee in bankruptcy may proceed in a summary proceeding or by a plenary action for recovery of assets is sometimes a matter of doubt. The Circuit Court of Appeals for the Seventh Circuit, on June 5, laid down the proposition that unless the property sought to be recovered is in the constructive or actual possession of the trustee in bankruptcy and the trustee's claim is disputed in good faith by the party in possession then the matter must be determined by a plenary action, that is by an action in the proper court instituted by the trustee as the party plaintiff and against the party in possession of the assets as the party defendant.

However, if the party in possession, so the Circuit Court holds, consents that the issue may be determined in a summary proceeding, that is in the bankruptcy court, that court has jurisdiction to determine the matter. (*Heyer, et al v. Schwemer, Trustee, C. C. A. 7th Circuit.*)

A Decision Under New Bankruptcy Act

Much opposition, some of it definitely expressed before the Congressional Committees and much of it not vocal but none the less existent, was expressed to the enactment of the Bankruptcy Amending Act of March 3, 1933, particularly to section 74.

In *re Aker*, the United States District Court for Idaho, on June 22, 1933, in the exercise of its power conferred by the new amendment, section 74, restrained a bank from foreclosing a mortgage. A petition was filed under this section alleging inability to meet maturing debts and a desire to effect a composition or extension.

The evidence indicated that the mortgage was in default and taxes were delinquent but on the other hand that the aggregate amount of taxes and interest during the ensuing year would not exceed the value of the property. The Court enjoined the secured creditors from proceeding for enforcement of their claims until the extension had been confirmed—something that could not have been done under the Bankruptcy Act prior to amendment.

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Budgeting Expenditures to fit Reduced Incomes

(Continued from page 13.)

be paid for shelter, and it is true that when that maximum is exceeded danger is likely to be hovering somewhere around. If the quality of the place where we live makes so much difference to us that we are willing to sacrifice somewhere, we must be very careful that we make up in reductions of other items for our excess in this item."

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